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THESIS

**FOREIGN AID
AND
MIDDLE EAST PEACE**

by

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September, 1996

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FOREIGN AID
AND
MIDDLE EAST PEACE

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Submitted in partial fulfillment
of the requirements for the degree of

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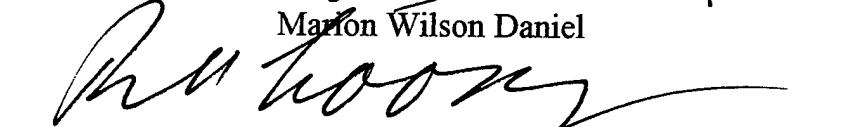
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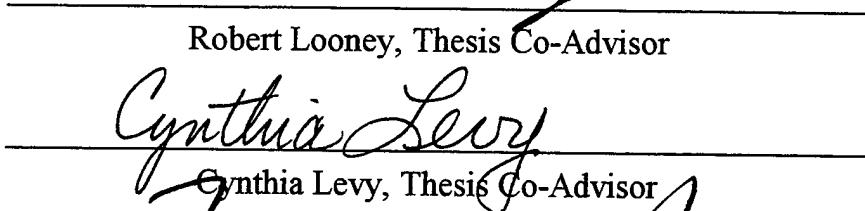
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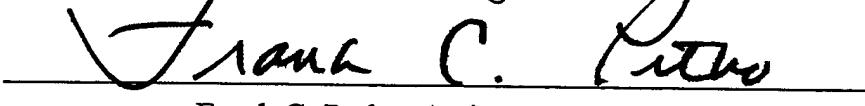
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ABSTRACT

This thesis examines the relationship between foreign aid and Middle East peace. The focus of this research is on Israel, and its relations with Egypt, Syria and the Palestinians. The thesis highlights the opposing interests of these actors and the United States interest in the region, and how these contrasting views seem to be roadblocks to a comprehensive peace. However, there is evidence that U.S. foreign aid can act as compensation for the compromises incurred by these actors, for the sake of peace in the region.

The thesis concludes that by inadequately addressing the root of the Arab-Israeli problem-territorial claims that essentially predate Israel's establishment, but more specifically the pre-1967 claims, and the security of all parties-U.S. foreign assistance to the region will serve as a band-Aid approach to regional stability. However, present indicators dictate that this method is meeting U.S. Middle East Foreign Policy goals, and securing its vital interests in the region.

TABLE OF CONTENTS

| | |
|--------------------------------------------------------|----|
| I. INTRODUCTION | 1 |
| A. FOREIGN AID DEFINED | 2 |
| 1. General | 2 |
| 2. USAID | 3 |
| 3. Middle East | 4 |
| B. PUBLIC OPINION AND FOREIGN AID | 5 |
| II. AID AND PEACE WITH ISRAEL: EGYPT | 7 |
| A. THE EVENTS MAKING PEACE POSSIBLE | 9 |
| B. THE PLAYERS' INTERESTS | 12 |
| 1. The United States | 13 |
| 2. Israel | 16 |
| 3. Egypt | 18 |
| C. FOREIGN AID | 19 |
| 1. Before | 21 |
| 2. After | 22 |
| III. AID AND PEACE WITH ISRAEL: THE PALESTINIANS | 29 |
| A. THE EVENTS MAKING PEACE POSSIBLE | 30 |
| B. THE PLAYERS' INTERESTS | 33 |

| | | |
|---------------------------------------------------------------|-----------------------------------------------|--------|
| 1. | The United States | 34 |
| 2. | Israel | 36 |
| 3. | Palestine Liberation Organization (PLO) | 39 |
| C. | FOREIGN AID | 42 |
| 1. | Before | 42 |
| 2. | After | 43 |
| IV. AID AND PEACE WITH ISRAEL: SYRIA | | 49 |
| A. | EVENTS MAKING PEACE POSSIBLE | 51 |
| B. | THE PLAYERS' INTERESTS | 54 |
| 1. | United States | 54 |
| 2. | Israel | 57 |
| 3. | Syria | 60 |
| C. | FOREIGN AID | 61 |
| 1. | Before | 63 |
| 2. | After/Projected | 64 |
| V. IS FOREIGN AID A BAND-AID FOR MIDDLE EAST PEACE? | | 69 |
| A. | WATER | 69 |
| B. | SECURITY | 72 |
| C. | SUMMARY—U.N. RESOLUTION 242 | 75 |

| | |
|--------------------------------------------------------------|-----|
| VI. CONCLUSIONS | 79 |
| APPENDIX A. Map of Israel and Bordering Arab States | 83 |
| APPENDIX B. Map of 1967 Territories Occupied by Israel | 85 |
| APPENDIX C. Map of 1974 Disengagement Agreement | 87 |
| APPENDIX D. The U.N. 1947 Partition Plan | 89 |
| APPENDIX E. Map of Historical Palestine | 91 |
| APPENDIX F. Hillel Map of Water Aquifers | 93 |
| APPENDIX G. Beschorner Map of Water Aquifers | 95 |
| LIST OF REFERENCES | 97 |
| BIBLIOGRAPHY | 101 |

LIST OF TABLES

| | |
|------------------------------------------------------------------|----|
| 1. U.S. Foreign Aid to Egypt and Israel | 27 |
| 2. U.S. Foreign Aid to the West Bank/Gaza Strip and Israel | 47 |
| 3. U.S. Foreign Aid to Syria and Israel | 67 |

EXECUTIVE SUMMARY

This thesis examines the relationship between United States' foreign aid and Middle East peace. The research specifically focuses on Israel, and her relations with Egypt, Syria and the Palestinians. These actors were chosen to be studied for three particular reasons. The first reason has to do with the importance of Israel's independence and security to the United States. If Israel and her neighbors come to peace, the United States could better secure its interest to preserve Israel as a free, democratic nation. Secondly, Egypt, Syria and the Palestinians have collective, as well as individually, been viewed as a significant threat to the security of Israel, and the stability of the region. Finally, in examining foreign aid and peace with Israel, Egypt represents the "past" case study, the Palestinians serve as the "present" case study, and Syria represents the "future" case study. In each case study, events making peace possible are examined; the interests of the United States, Israel, Egypt, Syria and the Palestinians are explored; and the United States' foreign aid to Israel, and these Arab states is examined "before" and "after" a significant peace agreement or treaty.

The United States' interest to support peace processes in the Middle East, is an integral part of U.S. foreign policy.

Providing foreign aid, has appeared to go hand and hand with this support for peace. The use of foreign aid as an instrument to offset compromises incurred by the parties negotiating peace, appears to a very important aspect of negotiations. If such is the case, one important concern arises from this method of "pocketbook diplomacy." This concern is the idea of foreign aid being a "band-Aid" approach to peace, which is addressed in this thesis. As compromises are supported by foreign aid, and significant issues—water and security—are glossed over, the threat to durable peace is heightened. Consequently, any failure of peace between Israel and her neighbors, equates to a threat to the United States interests in the region.

Is foreign aid a good investment in the United States "national interest" in the Middle East? This thesis concludes that supporting peace initiatives with USAID programs is definitely better use of the U.S. federal budget, than what would be incurred to conduct military operations for the sake of peace. However, the United States should not ignore the instability that could arise from the glossing over of core issues by peacemaking states, in the interest of financial assistance.

I. INTRODUCTION

Foreign Aid has long been a source of debate in the United States. The call to cut foreign aid is an ongoing point of contention within the American populous. The fall of the Soviet Union served to bring this very debate to the forefront of the public's concern for government spending. It is believed that the end of the Cold War would result in less need for foreign aid. In the Middle East, one of the United States' main reasons for providing economic and military assistance, was for the purpose of containing the former Soviet Union. In the United States' desire to prevent the spread of communism and prevent the former Soviet Union from penetrating and dominating the area, a considerable amount of aid was provided to Israel and Arab nations, to support the United States' anti-communist stand. Since the other pole of the bilateral power structure no longer exists, what then would serve as justification for the continued amount of dollars being invested in foreign aid to the Middle East? One answer to this question is the need to continue to support peace in the Middle East. For most of Israel's existence, the United States has attempted to deal with the Arab-Israeli conflict, and sought peace and stability in the region. There has always been a number of conflicts of interests on behalf

of Israel and her neighbors. For the purpose of this paper Israel's "neighbors" are defined as Egypt, Syria and the Palestinians. See Appendix A. Israel and her neighbors have had to face the fact that peace requires compromises and sacrifices. Has foreign aid positively contributed to compromises required for peace, in the case of Israel and Egypt, and will it in the cases of Israel and both Syria and the Palestinians? Or, would foreign aid serve as a fog that allows the real issues—that lead to lasting peace—to be downplayed, and thus leave an atmosphere that is still susceptible to unrest?

A. FOREIGN AID DEFINED

This paper examines United States foreign aid to the Middle East in support of peace and stability in the region. Thus, it seems only appropriate to define the purpose of foreign aid in general, the role of the United States Agency for International Development (USAID), and aid in relation to the Middle East.

1. General

Foreign aid was initially created to assist in the recovery of the war-torn economies of Western Europe following World War II, during the 1960's foreign aid became an integral component of North-South relations. Designed to promote economic development through a transfer of resources and

knowledge from industrialized to developing countries, foreign assistance has traditionally been promoted as a tool to bridge the economic gap between rich and poor nations. However, some argue that political, structural and institutional obstacles on both sides have hampered aid effectiveness.

Foreign aid has gone through significant changes in purpose and format since the time it emerged. During the 1950's and 1960's, foreign aid donors focused on the financing of investment projects suitable to promote long-term growth in developing countries. Then in the 1970's, the growing human costs of development prompted lending aimed at poverty alleviation. The early 1980's brought about yet another type of foreign assistance, due to the development of the debt crisis. Designed specifically to satisfy immediate balance-of-payment requirements, these quick-disbursement credits also promote more prudent macroeconomic policies and more efficient, market-oriented policies at the sectoral level. The 1990's seem to be putting a new spin on foreign aid, such as the key instrument for peace.

2. USAID

The United States Agency for International Development (USAID) was established in 1961, by President John F. Kennedy, for the purpose of promoting development around the world. This agency has been charged with implementing programs which

further American self-interest, and demonstrate American humanitarian concern. The four areas that USAID works in to achieve U.S. foreign policy objectives are as follows:

- 1) improving health and population conditions;
- 2) promoting economic growth;
- 3) protecting the environment; and
- 4) supporting democracy.

In addition to these four areas, USAID provides assistance to victims of famine and other natural and man-made disasters.

3. Middle East

Foreign aid to the Middle East predates the establishment of USAID. However, the data used in this paper is based on information provided by USAID, and looks at U.S. foreign aid to the Middle East between 1948 and 1995. The year 1948 represents the establishment of Israel, and 1995 represents the most recent data available at the time of this writing.

The vast majority of assistance the United States has provided to the Middle East has been for the purpose of securing a just, lasting and comprehensive peace, in order to further U.S. foreign policy goals in the region. Less than one percent of the U.S. federal budget is spent on foreign aid, of that one percent, 40 percent is spent in the Middle East. This paper will provide data on U.S. foreign assistance to Egypt, Israel, Syria, and the West Bank and the Gaza Strip.

B. PUBLIC OPINION AND FOREIGN AID

Public opinion has been credited with shaping United States foreign policy. The Americans' opinion of foreign aid will be briefly discussed in this section.

Program on International Policy Attitudes—a joint program of the Center for the Study of Policy Attitudes and the Center for International and Security Studies of the University of Maryland—conducted a poll 23 January 1995, on Americans and Foreign Aid. The following is a summary of their findings:

An overwhelming majority of Americans embrace the principle that the United States should give some aid to help people in foreign countries who are in genuine need. Eighty percent of those polled agreed that the United States should be willing to share at least a small portion of its wealth with those in the world who are in great need. This attitude spread across party lines—78 percent of Republicans agreed. A strong majority says that the United States is spending too much on foreign aid. But this attitude is based on the assumption that the U.S. is spending vastly more than it is, in fact. Asked what an 'appropriate' amount would be, the median level proposed was 5 times present spending levels. ...Asked to estimate how much of the federal budget goes to foreign aid, the median estimate was 15 percent, 15 times the actual amount of 1 percent. The average was even higher—18 percent.

When informed about the actual amount of spending on foreign aid, a strong majority favors either maintaining it or increasing it. Asked how they would feel if the U.S. would spend 1 percent (the amount the U.S. does spend) 18 percent said this would be 'too much'—down from the 75 percent who had said it would be about right.

This is only one poll, and does not serve to provide anything but a glimpse at how Americans view foreign aid. Furthermore, the misperceptions that Americans have about foreign aid could lend a little insight as to why Americans feel there needs to be a reduction in U.S. foreign assistance levels.

The average American doesn't realize that almost 80 percent of foreign aid monies are spent on U.S. goods and services. Nor do they probably realize foreign aid's direct connection to American jobs. What they are able to perceive is that the United States is providing foreign aid to a hostile region for reasons they can't justify in their psyche. The question that arises from the American people is why are we buying peace in the Middle East? If indeed it could be determined that the United States was purchasing peace, could this be viewed as a good investment in the United States' "national interest"—the selling point for the American populous.

II. AID AND PEACE WITH ISRAEL: EGYPT

Since 1948, when Israel declared its independence, Arab states have been at odds with the state of Israel. The Arab-Israeli conflict has a long history that centers around Israel's right to exist. Egypt has served as a major player in representing the Arab world's relationship toward the state of Israel, during Israel's long years of unrest with her Arab neighbors. When Israel declared its independence, her Arab neighbors attacked. Egypt was one of the states involved in this attack. In the year to follow, Egypt would come to arrange an armistice agreement with Israel. But, hostilities would continue to mount between these opposing states for years to come.

The 1952 coup d'etat, in which the Egyptian monarchy was overthrown and a republic established, brought changes to the State of Egypt. The new leader, Colonel Gamel Abdel Nasser, would be the figure that dominated Egyptian life from the mid-50's to late 60's. Egypt, during this period, could be viewed as the driving force behind Arab sentiment against Western imperialism. The nationalization of the Suez Canal Company in 1956, by Nasser, brought great opposition from Britain and France—the principal shareholders. This lead to the pact these European powers made with Israel to invade Sinai in

October 1956. Under pressure from the United States Israel would withdraw from Sinai that November.

Other opposition posed by Egypt was Nasser's attempt to unite Egypt and Syria into a single nation (the United Arab Republic), from 1958-1961. (Groisser, 1982, pp. 53) A single Arab nation initially composed of Egypt and Syria, with intentions of encompassing other Arab states, was to pose a strong threat to Israel, with an ultimate goal of reclaiming Palestine. Formation of the United Arab Republic failed in its purpose. The reason why this attempt at Arab Unity failed is because Arab nationalism was not powerful enough to overcome local sentiments, parochial interests, and the set of political symbols that prevailed in Arab society.

Conflict between Egypt and Israel presented itself again in 1967 with the "Six-Day" War. The results of this war, on Egypt, was the loss of the Sinai Peninsula. The defeat Egypt suffered led to a war of attrition along the Suez Canal, which Nasser initiated in March 1969. Having suffered great territorial losses in the "Six-Day" War, Arab leaders were determined to go to war with Israel again to regain their territories. See Appendix B. In October 1973 Egypt and Syria conducted a surprise two-front attack on Israel for this very purpose.

The major conflicts that I have pointed out in the previous paragraphs, as well as other violent acts that have taken place across the border between Egypt and Israel, all indicate that these two states have had an unpeaceful history. How then could a peace be achieved between these warring parties? What were the interests of the major players in the Egyptian-Israeli peace process? What role, if any, did foreign aid play in bringing about peace between Israel and Egypt? These points will be discussed in this chapter.

A. THE EVENTS MAKING PEACE POSSIBLE

Throughout Egypt and Israel's long history of conflict, there were incidences in which the United States acted to mediate attempts to settle a peace. The move toward peace negotiations in 1977 was prompted by two events:

- 1) the War of 1973;¹ and
- 2) a change in Egyptian-Soviet relations.

The October War resulted in improved relations between the United States and Egypt. In November 1973, diplomatic relations between Egypt and the United States were restored. Egypt saw its immediate postwar position as a means for

¹ The Arab-Israeli War of 1973 has different names, including the October War, the Yom Kippur War, and the War of Ramadan. Israelis and Jews elsewhere refer to it as the Yom Kippur War because it started on the Jewish Day of Atonement. Arabs call it the War of Ramadan because it took place during Ramadan, their month of daytime fasting. The October War and the War of 1973 are considered neutral terms. (Groisser, 1982, pp. 127)

working with the United States to secure a partial Israeli withdrawal from the Sinai. These improved relations were heightened by the effects of the 1973 Arab Oil embargo on the United States.

The 1973 Arab oil embargo was an eye-opening experience for the United States. When the Arab world attempted such an embargo in 1967, the West was not so dependent on Arab oil. (Tessler, 1994, pp. 480) However, in 1973 the West's reliance on Middle East oil had undergone a significant shift. The Arab oil embargo, this time around, proved to be highly effective. Americans became much more conscious of the extent of their dependence on Arab oil. This was evident by the fact that U.S. imports of Arab oil dropped from about 1.2 million barrels a day, in September 1973, to fewer than 20,000 barrels a day in January 1974. (Tessler, 1994, pp. 480) Thus, Egypt had the United States' attention in the aftermath of the War of 1973. As a result, U.S. support of peace initiatives would seemingly be more even-handed, providing Egypt with the advantage it needed to move toward successful peace negotiations.

The October War left Israel in an advantageous military security position. When the war was over Israel had recaptured most of the territory in the Sinai, which it had retreated from at the onset of the war. Regardless of the

territorial gain, the country had been devastated by this attack, and doubts about the country's military establishment radiated. The intelligence failures of the Israeli Defense Force (IDF), and the number of casualties suffered at the beginning of the war, contributed to the country's dissatisfaction with the military establishment. Israel's need to recover from this blow could be met by negotiating a peace.

The second event that seemingly made peace between Egypt and Israel possible, was the change in Egyptian-Soviet relations. In July 1972, Anwar Sadat made the decision to remove Soviet military advisors and experts from Egypt. In addition, he placed Soviet bases and equipment under exclusive Egyptian control. (Lenczowski, 1980, pp. 167) The intent behind this action was the hope of obtaining more favorable policies from the United States, and to clear the way for military action without possible Soviet interference. (Tessler, 1994, pp. 479) Although, the USSR resupplied the Arabs with arms to fight against Israel during the October War, it was evident to Sadat that the Soviet Union was opposed to Egypt going to war. This growing disillusionment with the Soviet Union pushed Egypt to begin distancing itself from this superpower. This disassociation is evident by the fact that

the Treaty of Friendship, which Egypt had signed with the USSR in 1971, was terminated in March 1976.

The deteriorating Egyptian-Russian relationship was being replaced with an improving Egyptian-American relationship. A relationship that was characterized by events that indicated that the United States was becoming much more interested in the Arab world. These interests are depicted by the following examples:

- 1) the increased amount of corporations investing in the Arab market;
- 2) journalists, politicians, and businessmen providing opportunities for Arabs to express their views of the conflict with Israel;
- 3) in 1975, Anwar Sadat began to hold frequent meetings with visiting American dignitaries, especially Members of Congress. (Spiegel, 1985, pp. 220-222)

As Egypt moved away from the Soviet Union, and began to show greater interest in improving relations with the United States, the opportunity for negotiating peace between Egypt and Israel presented itself.

B. THE PLAYERS' INTERESTS

The October War strengthened Egypt's case as a player in the Middle East. Egypt's role in the Arab world was taking on a new shape. As Egypt became more receptive to American peace initiatives, did the interests of the United States, Israel and Egypt coincide? The United States domestic situation

favored support for both the Arab world and Israel, and both Egypt and Israel sought the same territorial claims. Seemingly all three players had interests that did not coincide. In spite of this, in December 1973, a multinational conference was convened at Geneva. Representatives of the United States, the Soviet Union, Israel, Egypt, Jordan and the United Nations agreed on the need for peace negotiations. Five years later a tripartite conference would convene at Camp David. The United States, Egypt and Israel would come together in an attempt to set the framework for Middle East peace. The players' interests in negotiating an Egyptian-Israeli peace will be discussed in the sections to follow.

1. The United States

After World War II, when the United States' took a more direct and official involvement in Middle East affairs, there were five central goals. These primary goals, which seem to be contradictory, were to:

- 1) contain the Soviet Union;
- 2) preserve oil resources and strategic access to the Middle East;
- 3) foster good relations with conservative Arab nations;
- 4) preserve security and independence of Israel; and
- 5) preserve peace and stability in the region.
(Groisser, 1982, pp. 170)

How do these goals speak to the United States' interests in an Egyptian-Israeli peace process?

First, if Egypt was to come to peace with Israel and identify closer with the United States, Soviet penetration and domination of Egypt would be even more checked. Also, it would further support the actions that Sadat had already taken in pushing the Soviets out of Egypt. Second, the Arab oil embargo was a threat to the United States' goal to preserve Middle East oil resources. The embargo created an energy and financial crises that had to be acknowledged for the purpose of planning to prevent future embargoes. One plan devised by the United States was to draw key Arab states into America's political and economic orbit. It was believed that this would create disincentives for future oil embargoes; the Arab oil producers would have more to lose from a future confrontation with the United States. (Spiegel, 1985, pp. 226) Thus, a joint economic commission was created with Saudi Arabia in June 1974, which soon necessitated joint commissions with Egypt, Jordan and Israel. (Spiegel, 1985, pp. 225) The joint economic commission not only supported the United States' goal to preserve oil resources, but it also catered to the goal in the region—to foster good relations with conservative Arab nations.

The alliance between Egypt and Saudi Arabia, during the oil embargo, increased Arab political strength. This coalition created another opportunity for the United States to meet its goal of fostering good relations with conservative Arab nations. Saudi Arabia was the Arab state that the United States had established the closest relations with after the Second World War, and Egypt was the Arab state that the United States had been anxiously trying to win over during the same period. Now that the richest (Saudi Arabia) and most powerful (Egypt) Arab countries were developing relations with the United States, the third of the foreign policy goals previously stated was being pursued.

The United States' fourth foreign policy goal for the Middle East was to preserve Israel's security and independence. As a bordering neighbor of Israel, Egypt has been a powerful adversary, and a definite threat to Israel's security. Peace with this Arab neighbor would befit the United States' interest with regards to Israel's security. If a bordering Arab neighbor such as Egypt would come to recognize Israel's independence, it could set the stage for acceptance by other Arab countries. Recognition of Israel by the Arab world would support the United States' final foreign policy goal, which was to preserve peace and stability in the region. The biggest threat to peace between Israel and her

neighbors was, and is, Arab nonacceptance of the State of Israel, and the issues surrounding disputed territorial claims. If an Egyptian-Israeli peace could be settled, the United States goal of regional peace would have a foundation to build from.

The United States had great interests in the Egyptian-Israeli peace process. The United States' five foreign policy goals, toward this region, could be tremendously impacted by a peace treaty between these two states.

2. **Israel**

Israel's interest in negotiating peace with Egypt generally centered around security. Israel's security would encompass retaining her 1967 territorial gains, in order to feel secure along her borders. Israel had historically believed that the territories occupied as a result of the 1967 war, gave her the depth of territory necessary to defend her borders without a pre-emptive strike. However, the War of 1973 would cause this security objective to be questioned by the Israeli government. At the end of the 1973 war, Israel no longer possessed the elaborate defensive fortifications along the Suez Canal. In the aftermath of the October War, where "land for peace" initiatives were being discussed, Israel was definitely interested in negotiating peace, but not at the expense of relinquishing land.

The idea of secure and defensible boundaries was not easily defined by Israeli military leaders and government officials, after Egypt was successful in briefly capturing the Sinai Peninsula in 1973. The events of the October War had to indicate to Israel that topographical obstacles, strategic depth and defensive barriers could not, by themselves, provide security to the state across her borders. Israel had to come to realize that security could only be gained through acceptance of, and by, her neighbor. This acceptance could not effectively be resolved by the military, but would need to be achieved via peaceful means. The War of 1973 affected all aspects of the Israel's life-psychological, ideological, diplomatic and economic-causing Israel to pay a high price for her victory. The need for Israel to achieve peace with the Arab world, starting with Egypt, was urgent to the security, as well as recovery, of the state. The balance of power shift that was taking place in favor of the Arab world would make this even more of a necessity.²

² Bickerton and Pearson state that the War of 1973 resulted in a balance of power shift in the Middle East in favor of the Arabs. This idea is supported in the following thought: "The Arabs had always been aware that their military, economic and political potential measured in terms of their population, strategic location, large territories and oil revenue resources were superior to their actual performance. All they needed was to co-ordinate their resources and activities. But they never did—political instability, incompetence and corruption, national and traditional rivalries, and societies unready for the demands of modern warfare all acted to prevent the collective decision necessary in order to act decisively against Israel. The 1973 War changed all that—Sadat had achieved the co-operation necessary to launch a combined attack. And it was a preemptive attack." (Bickerton and Pearson, 1986, pp. 149)

3. Egypt

Following the War of 1973, Egypt's interest in negotiating a peace with Israel focused on the desire to end the struggle with Israel. Egypt was seemingly ready to make peace with Israel, and looked to call upon the rest of the Arab world to join. Sadat wanted Syria, Jordan and the Palestinians to negotiate a settlement with Israel. Egypt had the following interests in mind concerning settling a peace with Israel:

- 1) Arab recognition of Israel as an independent state;
- 2) formal renunciation of the 'liberation' of Palestine as an Arab national aim; and
- 3) Israel's surrender of all occupied territories.
(Bickerton and Pearson, 1986, pp. 149)

These interests reflected that Egypt wasn't opposed to negotiating a peace without the consent or support of other Arab states. Egypt's cultural identification would make this possible. Egyptians have historically felt a much deeper identification with their own past and cultural heritage, and to some extent separated themselves from the Islamic traditions of other Arab states. Thus, the establishment of an independent Palestinian state or other Arab-centered issues, like East Jerusalem, tends to not have the same emotional or moral strength in Egypt, as it would in other Islamic countries. As a result, Egypt's interests toward

peace with Israel would focus on the good of Egypt, over the good of the Arab world. The good of Egypt centered around territorial claims to Sinai, and economic security.

C. FOREIGN AID

The varying differences in the interests of the players would somehow make their way toward peaceful relations between Egypt and Israel. It appeared to the United States that Egypt was ready to make some compromises following the October War, since they demonstrated an interest in negotiating peace. Furthermore, it seemed that the postwar political and economic troubles of Israel would lead the government to be more flexible on the issue of territorial withdrawal—a necessary ingredient to making peace with her Arab neighbor. The United States' mediating efforts would lead Egypt and Israel to come to consensual terms regarding disengagement of forces. Shuttle diplomacy³ would result in the following two disengagement agreements between Egypt and Israel:

- 1) Sinai I Agreement, signed January 18, 1974 by Egyptian and Israeli chiefs of staff; and
- 2) Sinai II Agreement, signed September 4, 1975 between Egypt and Israel. (Lenczowski, 1980, pp. 567)

³ This term was coined as a result of the diplomatic effort undertaken by U.S. Secretary of State Henry A. Kissinger following the War of 1973. The expression derived from Kissinger's shuttling back and forth, by plane, between Jerusalem and various Arab capitals for the purpose of securing disengagement agreements between Israel and its Arab adversaries, Egypt and Syria. (Flanders, 1993, pp. 542.)

The Sinai I Agreement called for the withdrawal of Israeli forces to a line about twenty miles away from the positions they were holding east of the Suez Canal, and for a limited Egyptian force to occupy the east bank of the canal, with a United Nations truce force to be stationed between them. (Lenczowski, 1980, pp. 567) See Appendix C.

The Sinai II Agreement provided for Egyptian advance to the Israeli line, and Israeli withdrawal to the east of the Mitla and Gidi passes, a neutral zone in which a United Nations force would be stationed. Furthermore, it incorporated the operation of radar warning systems in the Mitla and Gidi passes by American technicians, and Egypt's agreement to permit the passage of nonmilitary cargoes, bound for Israel, through the Suez Canal. (Lenczowski, 1980, pp. 567)

In the years following the Sinai I and II Agreements, the United States would mediate another major step toward peace between Egypt and Israel. This would come in the form of the Camp David Accords, which took place September 1978. This tripartite conference would result in Egyptian President Anwar Sadat, and Israeli Prime Minister Menachem Begin signing two accords that set guidelines for achieving Middle East peace. United States President Jimmy Carter served as a witness to this agreement. After about five months of difficult

negotiations, both sides made several concessions that resulted in a Egyptian-Israel peace treaty—signed 26 March 1979. However, foreign aid would have its role in offsetting these concessions.

In the two sections to follow the role of United States foreign aid to Egypt and Israel will be discussed in relation to peace initiatives. "Before" will be defined as between 1948 and 1973. These years were chosen to coincide with the establishment of Israel, and the event which acted as the initial catalyst for peace—the October War. "After" will be defined as between 1974 and 1995. These years coincide with the first disengagement agreement, and the most recent data available at the time of this writing. The foreign aid amounts discussed in the sections to follow, are discussed in reference to data found in Table 1.

1. Before

Prior to the Sinai I and II Agreements, and Egypt's subsequent peace treaty with Israel, the United States never provided military aid to Egypt. Furthermore, economic aid was provided varyingly, and at relatively low levels, with the exception of higher levels being reached between 1960 and 1965. For most of the years during this "before" period, Egypt identified closely with the Soviet Union and the Arab world.

However, Egypt's move toward the United States, and peace with Israel would change its relationship with the Arab world-increasingly isolated from the other Arab states. Subsequently, Egypt's policy shifted toward closer economic and political relations with the United States, in the belief that this was the practical and profitable line to follow. (Lenczowski, 1980, pp. 569)

Before 1973, the highest levels Israel's military assistance reached was just over half a billion, and economic assistance never rose above \$110 million. However, concessions and compromises incurred by negotiating peace with Egypt would bring about changes in these figures.

2. After

A month after the Sinai II Agreement, Anwar Sadat visited President Gerald Ford in Washington and signed a number of economic cooperation agreements. In 1975, U.S. economic aid to Egypt was at its highest level ever. In November 1977, Sadat made his historical visit to Jerusalem to meet with Israeli leaders concerning negotiating a genuine peace. The visit most likely was prompted by the domestic situation in Egypt during 1977. Sadat had to deal with recovering from rioting that had taken place in January, peace seemed like a practical means of meeting Egypt's domestic needs. (Tessler, 1994, pp. 507-508)

It was previously mentioned in this chapter that both Egypt and Israel made concessions to reach a peace agreement. It has been stated that Sadat reasoned that movement toward peace would make it possible to reduce military expenditures and increase development-related spending, in order to obtain expanded assistance from the United States, and attract more private foreign investment. (Tessler, 1994, pp. 508) Furthermore, the rebuilding of Ismailia and other Egyptian cities along the Suez Canal could be completed. Sadat was encouraged along these lines by President Jimmy Carter. In Carter's April 1977 meeting with Sadat, he suggested that in ten years Washington's economic, military and political ties with Egypt have the potential to be as strong as those between Israel and the United States. (Tessler, 1994, pp. 508)

Israel's reluctance to make meaningful concessions throughout the negotiations leading up to the 1979 Peace Treaty, seems to demonstrate that Israel didn't feel as strongly about peace as Egypt. The real issue was that Israel was not interested in total withdrawal from occupied territories-as requested by Egypt. Relinquishing of land, considered important to security, did not agree with Israel peace interests. At best Israel was interested in gradually withdrawing from Sinai, demilitarizing the Gidi and Mitla passes, retaining Jewish settlements in Sinai-protected by

Israeli troops, and freedom of navigation in the Strait of Tiran. The United States was pressing for a peace treaty between Egypt and Israel. Thus, Israel would have to make concessions for the sake of peace in order to continue to enjoy American economic and military assistance.

Israel's security was in the interest of the United States, and if disengagement agreements were going to be signed, Israel needed to feel secure. In 1974, Israel's military assistance from the United States hit the \$2 billion mark, then dropped under half a billion in 1975, and rose again in 1976 to \$1 billion. In 1975, Israel's economic assistance levels rose to just over \$300 million. Then assistance jumped to the \$700 million range, which was maintained throughout the rest of the 1970's.

The 1979 peace treaty demonstrated more of the same in regards to increasing foreign aid to secure peace. Israel agreed to relinquish her military bases in Sinai, if the United States would help pay for new ones to be constructed in Israel's Negev Desert-equating to \$3 billion in concession loans. (Tessler, 1994, pp. 510)

There were many differing interests among the United States, Israel and Egypt leading to a Egyptian-Israeli peace treaty. The conflict of interests was accompanied by a turbulent negotiation process that required difficult

concessions to be made on behalf of Egypt and Israel. However, foreign assistance had its day, a peace treaty was signed, and in 1980 Egypt and Israel exchanged ambassadors.

TABLE 1. U.S. Foreign Aid to Egypt and Israel

| YEARS | EGYPT-ECO | EGYPT-MIL | ISRAEL-ECO | ISRAEL-MIL |
|-------|-----------|-----------|------------|------------|
| 1948 | 1.4 | 0.0 | 0.0 | 0.0 |
| 1949 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1950 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1951 | 0.1 | 0.0 | 0.1 | 0.0 |
| 1952 | 1.2 | 0.0 | 86.4 | 0.0 |
| 1953 | 12.9 | 0.0 | 73.6 | 0.0 |
| 1954 | 4.0 | 0.0 | 74.7 | 0.0 |
| 1955 | 66.3 | 0.0 | 52.7 | 0.0 |
| 1956 | 33.3 | 0.0 | 50.8 | 0.0 |
| 1957 | 1.0 | 0.0 | 40.9 | 0.0 |
| 1958 | 0.6 | 0.0 | 61.2 | 0.0 |
| 1959 | 44.8 | 0.0 | 49.9 | 0.4 |
| 1960 | 65.9 | 0.0 | 55.2 | 0.5 |
| 1961 | 73.5 | 0.0 | 48.1 | * |
| 1962 | 200.5 | 0.0 | 70.7 | 13.2 |
| 1963 | 146.7 | 0.0 | 63.4 | 13.3 |
| 1964 | 95.5 | 0.0 | 37.0 | 0.0 |
| 1965 | 97.6 | 0.0 | 48.8 | 12.9 |
| 1966 | 27.6 | 0.0 | 36.8 | 90.0 |
| 1967 | 12.6 | 0.0 | 6.1 | 7.0 |
| 1968 | 0.0 | 0.0 | 51.8 | 25.0 |
| 1969 | 0.0 | 0.0 | 36.7 | 85.0 |
| 1970 | 0.0 | 0.0 | 41.1 | 30.0 |
| 1971 | 0.0 | 0.0 | 55.8 | 545.0 |
| 1972 | 1.5 | 0.0 | 104.2 | 300.0 |
| 1973 | 0.8 | 0.0 | 109.8 | 307.5 |
| 1974 | 21.3 | 0.0 | 51.5 | 2482.7 |
| 1975 | 370.1 | 0.0 | 353.1 | 300.0 |
| 1976 | 464.3 | 0.0 | 714.4 | 1500.0 |
| 1977 | 907.8 | 0.0 | 742.0 | 1000.0 |
| 1978 | 943.0 | 0.2 | 791.8 | 1000.0 |
| 1979 | 1088.1 | 1500.4 | 790.1 | 4000.0 |
| 1980 | 1166.4 | 0.8 | 786.0 | 1000.0 |
| 1981 | 1130.4 | 550.8 | 764.0 | 1400.0 |
| 1982 | 1064.9 | 902.4 | 806.0 | 1400.0 |
| 1983 | 1005.1 | 1326.9 | 785.0 | 1700.0 |
| 1984 | 1104.1 | 1366.7 | 910.0 | 1700.0 |
| 1985 | 1292.0 | 1176.7 | 1950.1 | 1400.0 |
| 1986 | 1293.3 | 1245.8 | 1898.4 | 1722.6 |
| 1987 | 1015.2 | 1301.8 | 1200.0 | 1800.0 |
| 1988 | 873.4 | 1301.5 | 1200.0 | 1800.0 |
| 1989 | 968.1 | 1301.5 | 1200.0 | 1800.0 |
| 1990 | 1093.4 | 1295.9 | 1194.8 | 1792.3 |
| 1991 | 997.9 | 1301.9 | 1850.0 | 1800.0 |
| 1992 | 933.3 | 1301.8 | 1200.0 | 1800.0 |
| 1993 | 753.2 | 1301.8 | 1200.0 | 1800.0 |
| 1994 | 606.5 | 1300.8 | 1200.0 | 1800.0 |
| 1995 | 815.0 | 1301.0 | 1200.0 | 1800.0 |

Note: Numbers reflect millions of U.S. dollars. * Less than \$50,000.

ECO = Economic and MIL = Military

Source of 1948-1994 data: U.S. Agency for International Development (USAID). U.S. Overseas Loans and Grants. Series of Yearly Data, Volume I, Near East, Obligations and Loan Authorizations FY 1946-1994.

Source of 1995 data: U.S. Department of State. Congressional Presentation for Foreign Operations. Fiscal Year 1997.

III. AID AND PEACE WITH ISRAEL: THE PALESTINIANS

The question of Palestine has divided Arabs and Jews far before Israel's establishment in 1948. The Balfour Declaration of 2 November 1917, acted as the Jews' official attachment to the state of Palestine. The declaration essentially stated that the British government was in favor of the establishment of a national home for the Jewish people in Palestine. The Zionist⁴ movement would focus the next 30 years on establishing an independent Jewish state. Prior to World War II, the United States had not shown any great interest in Palestine because it was viewed as a British responsibility. Following WWII, the future of Palestine was the first issue to come before the newly established United Nations. A Special Committee on Palestine (UNSCOP) was set up, and a partition plan was devised. This plan was partially accepted by the Jews, and rejected outright by the Arabs. On 29 November 1947, the General Assembly voted in favor of the

⁴ Zionism called for the reversal of the Jewish dispersion (Diaspora) and the "ingathering of the exiles" to their biblical homeland. (U.S. Dept of Army, 1990, pp. 83) The goal of this nationalist movement was to create an independent Jewish state in Palestine, for the Jewish people. This goal would be achieved by three major means; (1) promoting systematic settlement of Palestine by Jewish agriculturalist, artisans and craftsmen, (2) organizing the Jews and strengthening the national consciousness of Jews, and (3) seeking the approval of whatever governments were necessary to achieve the goals of Zionism. (Bickerton and Pearson, 1986, pp. 22) The individual identified most with the emergence of modern Zionism was Theodor Herzl, the founder of the World Zionist Organization.

partition. This virtually assured a Jewish state in Palestine, and set the stage for what would become the first Arab-Israeli War—the War of Independence.

On 14 May 1948, Palestine became the state of Israel. The creation of Israel, and the resulting War of Independence would have far-reaching international repercussions. It would profoundly alter the strategic and political situation in the Middle East. Furthermore, it would plague all peace negotiations attempted in the region.

In this chapter, I will examine foreign aid and the Israeli-Palestinian peace process. This will be accomplished by discussing the events that made peace negotiations possible, the interests of the United States, Israel and the Palestine Liberation Organization (PLO) and what role foreign aid may play in the peace process.

A. THE EVENTS MAKING PEACE POSSIBLE

Since the early 1970's Yasser Arafat⁵ has attempted to use the PLO as a political means to achieve Palestinian interests. However, continued terrorist attacks on Israel by

⁵ Yasser Arafat was the co-founder of Fatah, an Palestinian nationalist movement, that started out functioning underground. Fatah emerged as a functioning organization with an Central Committee in 1964. In 1968, Arafat was appointed the official spokesman of Fatah. In 1969, Fatah took control of the PLO and Arafat became the Chairman of this organization. (Hart, 1989, pp. 288)

leftist Palestinian liberation organizations,⁶ have hampered Arafat's credibility with regard to a genuine interest in peace. However, a significant change in the international community would promote an opportunity to obtain a comprehensive peace settlement in the Middle East. Progress toward regional peace, and particularly Israeli-Palestinian peace, was prompted by a combination of two events:

- 1) the fall of the Soviet Union and;
- 2) the United States performance in the Gulf War.

The fall of the Soviet Union put an end to the ability of Middle Eastern states to balance their power against the West. The fall of the Soviet Union changed the balance of power structure, which resulted in the United States taking the stage as the only world superpower. For Israel this meant that the United States would be revisiting the necessity for a strategic ally in the Middle East, where there was no longer a Soviet threat. This would bring rise to the question of foreign aid to an ally whose role had changed, especially at a time when foreign aid was becoming more and more unpopular in the United States.

The fall of the Soviet Union had a negative strategic impact on the goals and objectives of the Palestinian

⁶ The Popular Front for the Liberation of Palestine (PFLP) and the Popular Front-General Command (PF-GC) are considered leftist organizations.

Liberation Organization (PLO). The PLO's strategic leverage made possible by the support of the Soviet Union, was no longer available. This led the Arab World to believe that American priorities in the Middle East would, even more so, center around the American domestic political agenda (i.e., Israel).

The fall of the Soviet Union put both the Israelis and Arabs in a position where their foreign policy would be pressured by the United States' interests in the region. Furthermore, both Israel and the PLO's economic problems were exacerbated by the fall of the Soviet Union. Israel financial burdens were heightened by the influx of Soviet Jews. The PLO's was struggling for institutional survival.

The United States' performance in the Gulf War was also monumental in prompting peace in the Middle East. The United States, with a coalition of 30 states, was successful in pushing Saddam Hussein out of Kuwait. Thus, what was considered the most powerful adversary in the region, had now become less of a threat. Sadam's defeat had a sobering effect on the Palestinians, and tilted the balance of power in the Middle East further in favor of Israel.

Palestinian and Jordanian support for Iraq in the Gulf War divided the Arab world and inflamed inter-Arab conflict. Palestinians sided with Iraq during the war because they

viewed Iraq as the only credible challenge to Israel's military superiority. Furthermore, they felt that Iraq could accomplish what Egypt and Syria had failed to accomplish in the 1960's-uniting the Arabs into a major regional power that would be a challenge to the United States. Unfortunately, because the Palestinians sided with Iraq, they lost support from the other Arab regimes, like Egypt and Syria, who had supported Kuwait and Saudi Arabia during this war. (Quandt, 1993, pp. 396) Thus, Yasser Arafat must have realized that time was working against his interests, and the need to respond more positively to serious peace initiatives was essential.

B. THE PLAYERS' INTERESTS

In the aftermath of the United States' Gulf War victory and new stance as the only superpower, there were new possibilities for regional peace in the Middle East. The United States had a foreign policy agenda that supported both the interests of the Palestinians and Israel. The Palestinians desired a state, and Israel viewed establishment of a state as a significant threat to security, and an endangerment to the very existence of Israel. Regardless of these apparently conflicting interests, a peace conference was convened in Madrid, Spain October 1991. This conference was chaired by United States President, George Bush and Soviet

President, Mikhail Gorbachev. The purpose of the conference was to bring delegations from Israel, Egypt, Syria, Lebanon and a joint Jordanian-Palestinian delegation, together to participate in directed peace negotiations. The American, Israeli and Palestinian interests in negotiating a Palestinian-Israeli peace will be discussed in this section.

1. The United States

The United States' interests in the Middle East had not changed much from the goals it had when Egypt and Israel made moves toward peace. As mentioned in chapter two, the United States interests in the region were to preserve oil resources and strategic access to the Middle East, foster good relations with conservative Arab nations, preserve the security and independence of Israel, and preserve peace and stability in the region. The only foreign policy goal that had changed between the 1970's and 1990's, was that the fall of the Soviet Union eliminated the United States' necessity to contain it. The United States' Middle East foreign policy goals could be served by supporting peace negotiations between the Palestinians and Israel. How do the Palestinians factor into the United States' interest to preserve oil resources and strategic access to the Middle East waterways? The primary answer is that the Palestinian issue reaches out and touches those Arab countries that are key players in the United

States' oil and waterway interests. Various Arab regimes (Iran, Saudi Arabia, Syria, Egypt, etc.) identify with the Palestinian cause, and have at some point or another supported (financially or politically) activities to further the interests of the Palestinian people. The Arab summit's declaration of Amman in 1987, produced this statement:

The Palestinian problem is the central Arab problem...as the struggle to restore Arab rights which have been usurped both in Palestine and in the occupied Arab territories is a national inter-Arab responsibility. (Neuman, 1988, pp. 1)

The United States' involvement with the Palestinian issue has roots in the United Nations established refugee camps. The United States made the largest contributions in support of Palestinian refugees—who were not integrated or absorbed into the societies of surrounding Arab countries, after the 1967 war. Thus, the need to find a solution to the Palestinian question was paramount.

The PLO was a threat to Israel's independence and security because of its acts of violence, and pursuit of Arab support in opposing the state of Israel. Furthermore, the PLO served to keep up inter-Arab conflict, which aided in dividing the Arab world and hindering the United States' goal to foster good relations with conservative Arab nations. Because of the PLO's anti-Israeli activities, and its connections to other

Arab regimes, it has been considered to hold the key to Arab-Israeli peace.

Here again, as in the case of Egypt and Israel, the United States' interests could be met if the Palestinians and Israel were to achieve peace.

2. Israel

The Jews have always argued that they had continuously lived in Palestine (present day Israel) even before the Arabs, from ancient to modern times. The importance of territorial claims are most evident by the ongoing struggle and conflict over the land Israel captured during the War of 1967. The Israeli-Palestinian peace process would not serve to ignore territorial issues. As Israel considered peace negotiations with the PLO, the objectives centered around three central goals:

- 1) Israel wished to realize the Zionist dream of transforming Palestine into a truly Jewish state;
- 2) Israel sought recognition from Arabs, particularly after its conquest of the remainder of Palestine, and other Arab territories in 1967; and
- 3) Israel sought to impose its unique security demands on the entire region. (Jarbawi, 1995, pp. 98-99)

The state of Israel was divided, between the Likud government and the Labor party⁷, at the onset of a peace process with the

⁷ Likud was formed in 1973 with a program to keep territory captured in 1967. The party's name, *Likud-Liberalim Leumi*, reflects its contention that Israel is entitled to all land

Palestinians. In 1991 the Likud government had four strategic interests:

- 1) to protect its claims to the West Bank;
- 2) to successfully absorb Soviet Jewish immigrants;
- 3) to protect the economic, military and political relationship with the United States; and if possible
- 4) conclude separate peace agreements with Arab states. (Telhami, 1992, pp. 87)

The policy implications for these objective would translate into the following:

- 1) continuation of Jewish settlements in the occupied territories;
- 2) the avoidance of any process that places territorial compromise on the agenda;
- 3) the protection of American aid to Israel; and
- 4) the advocacy of bilateral agreements with Arab states, especially Syria. (Telhami, 1992, pp. 87)

It may seem that the Likud government was entirely against a peace process, but the reality of the matter was that it was against a process that would force compromise.

between the Jordan River and the Mediterranean. (Bank, 1995, pp. 460) Because there is little dissent within Likud on the issue of territory, the party is held together by its collective stance on this issue. On the other hand, the Labor party, is made up of various groups that have diverse programs and perceptions about Israel's territorial rights and the scope of acceptable bargaining items in peace negotiations. (Beling, 1986, pp. 17) The Israel Labor Party was formed in 1968 through a merger of the Israel Workers' Party, a Western oriented socialist party established in 1929. This party has been represented in Israeli government by prime ministers David Ben-Gurion, Moshe Sharett, Levi Eshkol, Golda Meir, Shimon Peres, and Yitzkah Rabin. (Bank, 1995, pp. 460)

It is not surprising that the Labor party found opposition with the Likud government's perspective on the peace process. Consequently, they attacked Likud's priorities and objectives for peace on the following grounds:

- 1) Likud was more interested in ideology than the security of Israel;
- 2) Likud was more worried about settlements than Israel's economic well-being; and
- 3) Likud was more concerned with greater Israel than Jewish Israel. (Telhami, 1992, pp. 91)

The Labor politicians concluded that since Likud's strategy was to stress bilateral negotiations with Syria and downplay negotiations over the West Bank and Gaza Strip, than that meant that the Golan Heights was more valuable to security than the West Bank—a concept Labor didn't agree with. The conflict of interests—Labor's unwillingness to conduct negotiations with Syria and Likud's unwillingness to deal with the Palestinians—divided the Israeli public, causing confusion and frustration at the onset of the peace process. However, once the Madrid negotiations began, the Likud government shifted the direction of its strategy, and moved its emphasis toward Palestinian autonomy, over a bilateral agreement with Syria. To negotiate peace with the Palestinians seemed more feasible, especially with regard to the less amount of land that would have to be relinquish to make peace with the PLO, over what it would take to make peace with Syria.

Israel's grounds for negotiating peace has always centered around the desire to engage in direct negotiations with separate Arab states, and to negotiate from a position of strength. (Khouri, 1986, pp. 37-38) The Palestinians' lack of support from other Arab regimes, and weak position—due to the Gulf War and fall of the Soviet Union—made this possible for Israel. Thus, Israel's interest to improve state security and Arab-Israeli relations, could be negotiated in favor of Israel.

3. Palestine Liberation Organization (PLO)

In January 1964, the first Arab Summit held a meeting in Cairo where the decision was made to establish the Palestine Liberation Organization (PLO).⁸ The purpose for establishing this organization was to allow the Palestinian people "...to play their role in liberation of their country and their self-determination." (Hart, 1989, pp.163) Since its establishment, the PLO has been viewed as an terrorist organization that coordinates anti-Israel activities, with the proclaimed aim of destroying Israel. (Groisser, 1982, pp. 112) This foundation taunts the atmosphere conducive for successful peace negotiations.

⁸ Egyptian leader Colonel Gamel Abdel Nasser was the chief architect of the PLO, and had intended it to be a puppet organization that would enable him to control the activities of the Palestinian guerillas.

From its beginning, the PLO's goal was to establish a state for the Palestinian people. The origin of this issue has its roots in the refusal by the Arab states to accept the United Nations Partition Resolution of 29 November 1947.⁹ See Appendix D. The 1967 war resulted in Israel occupying territories that the Arabs claimed as theirs. Since then all Arab requirements for peace interest have hinged on the return of these territories. Initially, the Palestinians had aspirations of reclaiming all of Palestine, as depicted in Appendix E. However, lack of Arab military capabilities and genuine commitment to the Palestinian question would cause such aspirations to dissipate. Subsequently, over the years the Palestinians have become more willing to accept the idea of a Palestinian state on part of Israel—allowing the state of Israel to continue its existence. This position was embodied in the PLO's 1988 declaration of an independent state, and followed by the PLO's explicit recognition of the state of Israel. The PLO's declaration of an independent state was not recognized by Israel, nor most other countries of the world.

The one central and strategic goal for the PLO, when entering peace negotiations with Israel, was the restoration of legitimate Palestinian national rights, and having a state

⁹ This resolution proposed the establishment of an Arab and a Jewish state in Palestine (modern day Israel). (Groisser, 1982, pp. 113)

for the Palestinian people. (Jarbawi, 1995, pp. 99) The Palestinians were interested in one thing-autonomy. However, this autonomy would have to be inherently different from that which was offered to them by the Camp David accords. The Camp David autonomy plan would require Palestinians to choose Jordanian or Israeli citizenship, something that was clearly unacceptable to them. The Palestinians objectives center around the right to self-determination, to an independent state, and to choose their own leader. Therefore, by the PLO negotiating a peace that would enable them to obtain their national rights in a Palestinian state was to their gain. Due to the fact that Israel was, in a sense, being pressured by the United States to negotiate a peace, the PLO felt it would be given a better opportunity to meet their objectives.

The fall of the Soviet Union and the PLO's support of Iraq during the Gulf War, was devastating to the PLO's financial status. Following the Gulf War the financial aid given by the Gulf states to the Palestinians was considerably reduced, and the Palestinian communities within some of those states were suppressed. (Gazit, 1992, pp. 24) Thus, the PLO found itself in a desperate state of institutional survival, which would force compromises that would redefine the meaning of sovereignty.

C. FOREIGN AID

It is possible to conclude that both Israel and the PLO had something to gain by entering peace negotiations. Likewise, they both had some real compromises that had to be addressed. Would foreign aid positively contribute to the number of compromises that would need to be negotiated by Israel and the PLO?

This section will examine foreign aid levels before and after the 1991 Middle East Peace Conference, and the subsequent 1993 peace agreement between Israel and Palestine.

The "before" period is defined as between 1948 and 1990. The "after" period is defined as between 1991 and 1995. The foreign aid amounts discussed in the sections to follow, are discussed in reference to data found in Table 2.

1. Before

Aid designated for Palestinians living in the West Bank and the Gaza Strip was initiated by the U.S. Congress in fiscal year 1975, to "...express American concern for humanitarian and development needs of the Palestinians and to support progress toward peace in the region." (Bahbah, 1985, pp. 75) When the U.S. began providing aid to the Palestinians it was part of Israel's budget. It wasn't until 1988—the year the PLO declared its independence—that aid to the West Bank and the Gaza Strip (WB&GS) was broken out separately from

Israel. Between 1988 and 1990 aid to the WB&GS average around \$2 million.

As for Israel, aid to support Israel's security and economic well-being flowed at steady levels from the United States. Aid to Israel has been regarded by the United States as being necessary for regional stability. Israel's economic aid had grown to \$1.2 billion, and her military aid had reached \$1.8 billion, since the Egyptian-Israeli peace treaty—the last most significant peace arrangement concluded between Israel and her Arab neighbors.

2. After

In 1991, economic aid to Israel jumped to \$1.8 billion—the year of the Middle East Peace Conference, in Madrid, Spain. However, in 1992 the amount would drop back down to \$1.2 billion, and maintain those levels through 1995.

As for Palestine, the WB&GS would experience a noticeable increase in economic aid in 1992—the year following the conference in Madrid. Foreign aid figures would climb from \$7.6 million in 1992, to \$32.4 million in 1993—the year the Declaration of Principles was signed between Israel and the PLO. In 1994, the amount would rise to \$58.5 million, and in 1995 it would rise again to \$75 million. Economic aid to the WB&GS was part of the United States five-year pledge to

support the Palestinians, as they implemented peace agreements with Israel.¹⁰

In addition to United States aid, both Israel and Palestine received international assistance in support of the peace process. The United States is by far the largest bilateral donor to Israel, but other major donors who provide assistance to Israel include Germany, France, the Netherlands and Switzerland. Likewise, the United States is the largest bilateral donor to the West Bank and the Gaza Strip, but more than 40 international donors have pledged \$2.4 billion to development efforts that are to take place between 1994 and 1998. (USAID, 1995, WB&GS section) These donors include the European Union, Japan and the multilateral organizations, including the World Bank, United Nations Relief Works Agency and the United Nations Development Program. On 9 January 1996, international donors met in Paris and pledged a further \$865 million in aid to the Palestinian National Authority. (MacKinnon, 1996, pp. 29) The European Union will contribute \$120 million of new funds, Saudi Arabia \$100 million, the World Bank \$90 million, and the United States \$71 million.

¹⁰ Following the Declaration of Principles in 1993, the United States pledged \$500 million for a five-year program of assistance to the West Bank and Gaza Strip, \$375 million would be administered by the United States Agency for International Development (USAID) and \$125 million through the Overseas Private Investment Corporation (OPIC). (USAID Congressional Presentation-Fiscal Year 1996)

For both Israel and the PLO, negotiating peace contributed to their need to secure financial assistance from the United States. The PLO wanted to prevent its organization from going under. If the PLO had fallen due to lack of financial support, it would have been difficult for the Palestinian people to continue pursuing their interest. As far as Israel is concerned, her desire to maintain her levels of foreign aid from the United States, seemed secure in the changing world environment, where Israel's significance as a strategic ally was being redefined.

Table 2. U.S. Foreign Aid to the West Bank/Gaza Strip and Israel

| YEARS | WB&GS-ECO | WB&GS-MIL | ISRAEL-ECO | ISRAEL-MIL |
|-------|-----------|-----------|------------|------------|
| 1948 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1949 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1950 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1951 | 0.0 | 0.0 | 0.1 | 0.0 |
| 1952 | 0.0 | 0.0 | 86.4 | 0.0 |
| 1953 | 0.0 | 0.0 | 73.6 | 0.0 |
| 1954 | 0.0 | 0.0 | 74.7 | 0.0 |
| 1955 | 0.0 | 0.0 | 52.7 | 0.0 |
| 1956 | 0.0 | 0.0 | 50.8 | 0.0 |
| 1957 | 0.0 | 0.0 | 40.9 | 0.0 |
| 1958 | 0.0 | 0.0 | 61.2 | 0.0 |
| 1959 | 0.0 | 0.0 | 49.9 | 0.4 |
| 1960 | 0.0 | 0.0 | 55.2 | 0.5 |
| 1961 | 0.0 | 0.0 | 48.1 | 0.1 |
| 1962 | 0.0 | 0.0 | 70.7 | 13.2 |
| 1963 | 0.0 | 0.0 | 63.4 | 13.3 |
| 1964 | 0.0 | 0.0 | 37.0 | 0.0 |
| 1965 | 0.0 | 0.0 | 48.8 | 12.9 |
| 1966 | 0.0 | 0.0 | 36.8 | 90.0 |
| 1967 | 0.0 | 0.0 | 6.1 | 7.0 |
| 1968 | 0.0 | 0.0 | 51.8 | 25.0 |
| 1969 | 0.0 | 0.0 | 36.7 | 85.0 |
| 1970 | 0.0 | 0.0 | 41.1 | 30.0 |
| 1971 | 0.0 | 0.0 | 55.8 | 545.0 |
| 1972 | 0.0 | 0.0 | 104.2 | 300.0 |
| 1973 | 0.0 | 0.0 | 109.8 | 307.5 |
| 1974 | 0.0 | 0.0 | 51.5 | 2482.7 |
| 1975 | 0.0 | 0.0 | 353.1 | 300.0 |
| 1976 | 0.0 | 0.0 | 714.4 | 1500.0 |
| 1977 | 0.0 | 0.0 | 742.0 | 1000.0 |
| 1978 | 0.0 | 0.0 | 791.8 | 1000.0 |
| 1979 | 0.0 | 0.0 | 790.1 | 4000.0 |
| 1980 | 0.0 | 0.0 | 786.0 | 1000.0 |
| 1981 | 0.0 | 0.0 | 764.0 | 1400.0 |
| 1982 | 0.0 | 0.0 | 806.0 | 1400.0 |
| 1983 | 0.0 | 0.0 | 785.0 | 1700.0 |
| 1984 | 0.0 | 0.0 | 910.0 | 1700.0 |
| 1985 | 0.0 | 0.0 | 1950.1 | 1400.0 |
| 1986 | 0.0 | 0.0 | 1898.4 | 1722.6 |
| 1987 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1988 | 1.7 | 0.0 | 1200.0 | 1800.0 |
| 1989 | 2.1 | 0.0 | 1200.0 | 1800.0 |
| 1990 | 2.2 | 0.0 | 1194.8 | 1792.3 |
| 1991 | 2.3 | 0.0 | 1850.0 | 1800.0 |
| 1992 | 7.6 | 0.0 | 1200.0 | 1800.0 |
| 1993 | 32.4 | 0.0 | 1200.0 | 1800.0 |
| 1994 | 58.5 | 0.0 | 1200.0 | 1800.0 |
| 1995 | 75.0 | 0.0 | 1200.0 | 1800.0 |

Note: Numbers reflect millions of U.S. dollars. * Less than \$50,000.

ECO = Economic; MIL = Military; WB&GS = West Bank&Gaza Strip

Source of 1948-1994 data: U.S. Agency for International Development (USAID). U.S. Overseas Loans and Grants. Series of Yearly Data, Volume I, Near East, Obligations and Loan Authorizations FY 1946-1994.

Source of 1995 data: U.S. Department of State. Congressional Presentation for Foreign Operations. Fiscal Year 1997.

IV. AID AND PEACE WITH ISRAEL: SYRIA

It was mentioned in chapter two that Egypt served as one of the major players in determining Arab sentiment regarding the state of Israel. At this junction I would state that the other major player is Syria. Hinnebush made the following observation concerning the role of Egypt and Syria in the Arab state system:

Egypt and Syria are the core actors around which the Arab state system revolves. When Egypt and Syria are united they constitute a powerful axis which can impose certain cohesion on the Arab state system; when they are divided, the Arab world is condemned to fragmentation. (Hinnebush, 1988, pp. 179)

Of all of Israel's neighbors, Syria holds the position of being the most adamant adversary. Syria was among the Arab states that attacked Israel on 15 May 1948—one day after Israel declared independence. The friction remained ever present along the Syrian-Israeli border, and major violent conflict between these two states was revisited in the "Six Day" War. Although Syria agreed to a cease-fire (June 10) immediately following the war, the Arab summit conference held August 1967, in Khartoum, was boycotted by this state. Furthermore, the Baath Party of Syria rejected all ideas of compromise with Israel.

Syria would demonstrate its great opposition to Israel again in the War of 1973. As mentioned in the chapter on Egypt, Syrian and Egyptian forces launched this war against Israel in an effort to regain territories lost in 1967. It is worth noting here that Egypt signed a disengagement agreement with Israel in January 1974, it was four months later before Syria signed its disengagement agreement with Israel in May 1974. This obvious lack of diplomatic agreement among these Arab states, may have been a sign of division to come regarding Egypt and Syria's united front against Israel. When Egypt signed a peace treaty with Israel in 1979, Syria reacted defensively because the state would be facing a radical decline in its diplomatic bargaining leverage, and a worsened military security position vis-a-vis Israel. (Hinnebusch, 1988, pp. 186)

Following Egypt's split from the Arab world, Syrian President Hafiz al Assad made attempts to put Jordan, Lebanon and the Palestine Liberation Organization (PLO) under his leadership. In an effort to realize these aspirations Syria would oppose Israel in the 1982 Israeli launched "Operation Peace for Galilee."¹¹ (U.S. Dept of Army, 1988, pp. 237) Syria

¹¹ The intent of this campaign was to establish a security zone north of the Lebanese border, a distance of some forty kilometers that would be free of hostile Shia and Palestinian elements. However, this official intention was soon transformed into an overarching strategic plan for a three-pronged attack: a central advance to reach the Damascus-Beirut road and

and Israel would clash again in November 1985, as a result of Syrian opposition to Israel's air surveillance in Lebanon. Syria's interventions in Lebanon, support for terrorist activities, or pursuit of a military option against Israel, were not conducive for peaceful relations. What then would cause peace negotiations to possibly flourish between these two extremely antagonistic parties?

A. EVENTS MAKING PEACE POSSIBLE

As was the case for the Palestinian Liberation Organization (PLO), the events that would prompt peace talks between Israel and Syria was the demise of the Soviet Union, and the United States involvement in the Gulf War. Unlike the PLO, the fall of the Soviet Union was closer to home, and more detrimental for Syria. Syria's relationship with Moscow was much closer than Israel's other bordering neighbors. The Soviet Union had traditionally maintained a substantial arms commitment to Syria. Especially following the 1982 Lebanese fighting in Syria. (Seelye, 1986, pp. 58) Since Syria no longer had Egypt as its traditional ally, a military option was pursued to retake the Golan Heights, without the aid of Egypt. Syria sought to use Soviet aid to massively reinforce

establish a presence there; one along the coastal plain to destroy the PLO military infrastructure; and a third to turn eastward along the Damascus-Beirut highway and cause the Syrian forces in the Biqa Valley to withdraw toward the Syrian border, thereby removing the Syrian military presence in Lebanon.

its military capabilities. However, as the Soviet Union's position as a counterfoil to U.S. Middle East policies eroded in December 1991, Syria felt obliged to support and participate in U.S. sponsored peace initiatives.

In regards to the Gulf War's effect on the possibilities for peace, the defeat of Iraq would serve to convince Arab militants that a military solution to the Arab-Israeli conflict was impossible. Furthermore, the cooperation of the Soviet Union with the United States during the crisis would demonstrate that the Cold War rules of old were being rewritten. (Quandt, 1993, pp. 396) There should not have been any question that the United States now occupied the key diplomatic position. Furthermore, Saddam's invasion of Iraq inflamed inter-Arab division. Syria elected to send troops to Saudi Arabia to defend against Saddam's potential invasion there. Thus, Syria, Egypt and Saudi Arabia united against Saddam in defense of Kuwait, while Jordan and the Palestinians supported Iraq. Saddam attempted to draw these three powerful Arab states to his side by attacking Israel. He reasoned that if he could drag Israel into the war, his Arab brothers would switch sides. (Quandt, 1993, pp. 395) In the final analysis, American pressures prevented Israel from retaliating and the Arab allies that were a part of this coalition stood their ground against Saddam.

For Israel, the defeat of Iraq meant that her only possible threat in the region was Syria. Syria ultimately was not a real threat for two distinct reasons. First, the Soviet Union had done nothing to support, nor protect the Iraqi regime. Consequently, one could stand to reason that if Syria were to war against a state vital to U.S. interests, such as Israel, Soviet backing would not be forthcoming. Second, due the fact that Syria had united with Egypt and Saudi Arabia, during this war, the prospects for negotiating peace were seemingly tangible. Without a significant opposing power in the region, Israel could negotiate peace from a position of strength. Israel has always maintained an interest to bargain only from a position of strength, in any attempt to attain a comprehensive peace. (Khouri, 1986, pp. 37) The inter-Arab division that the Gulf War caused, contributed to Israel's negotiation position.

The change in the international environment, made possible by these two catalytic events—the fall of the Soviet Union and the Gulf War—brought about the symbolic Madrid conference. Arab-Israeli peacemaking was taking a new step, yet the varying interests of the United States, Israel and Syria would need to be confronted.

B. THE PLAYERS' INTERESTS

Throughout the years, bilateral relations between the United States and Syria have ranged between grudging mutual accommodation and outright mutual hostility. The previous section of this illustrates that Syrian-Israeli relations have experienced more hostilities, than accommodations. In spite of these facts, Middle East relations had definitely changed after the Gulf War. However, had they changed enough that the goals and objectives of United States, Israel and Syria could concur with each other in such a way that peace agreements could be settled? Syria's hostile role in the region has not been viewed favorably by the United States, Israel held the Golan Heights vital to the state, and Syria insisted upon pre-1967 borders. What do these players really hope to gain from a peace settlement? This vary issue will be discussed in the sections to follow.

1. United States

What was the United States' interests in Arab-Israeli peacemaking in 1990's? There was no opposing superpower, and no need for a strategic ally. Why would the United States again attempt to mediate a complex dispute between Israel and Syria? The United States has been a strong supporter of Israel since the 1950's. In an attempt to carry out even-handed Middle East policy, Syria's legitimate grievances

against the state of Israel have been recognized by the United States. This is evident by the United States' continued endorsement—in theory—of the United Nations Security Council Resolution 242.¹² Because the United States has recognized provisions in favor of Syria, the Syrians have historically welcomed U.S. unpublicized diplomacy.

Syria wasn't depending on the Soviet Union for support, had stood in opposition to Iraq in the Gulf War, and appeared to ~~be~~ identify with conservative Arab states. The outstanding interest the United States had in Syria coming to the peace table was the issue of terrorism. Syria has repeatedly been suspected of supporting Palestinian terrorism against American, West European and Israeli targets in the Middle East, and in Western Europe. (U.S. Dept of Army, 1988, pp. 226) Syria's connection to international terrorism has hindered real peace initiatives to take place. In November 1986, the United States imposed sanctions on Syria in response to continued support for international terrorism. President Assad has denied Syrian sponsorship of terrorism, and views Palestinian activities on Syrian territory as cultural and

¹² This resolution was passed in November 1967, by the Security Council, in the aftermath of the 1967 Arab-Israeli War. The resolution became an internationally accepted basis for peacemaking in the Middle East. It attempted to bring demands for a final, formal peace agreement together with those of Egypt, Syria and Jordan, for Israel's withdrawal from the territories occupied during the 1967 War—the Sinai Peninsula, the Gaza Strip, the West Bank, Golan Heights, and East Jerusalem. (Krieger, 1993, pp. 786)

political. Although there is lack of concrete evidence that directly links Syria to terrorist attacks and support, this state is still considered a nucleus for such activities. In spite of this, the United States recognizes Syria a major player in the Middle East. The following statement has been made from the White House regarding Syria:

Syria can play an important role in a key region of the world, but it cannot expect to be accepted as a responsible power or treated as one as long as it continues to use terrorism as an instrument of its foreign policy. (U.S. Dept of Army, 1988, pp. 227)

President Assad has sought to keep Syria's important role ever present in the minds of the United States, by making it known that Syria should not be ignored in any comprehensive peace treaty. Thus, trying to persuade truth to the old adage, "There can be no war in the Middle East without Egypt, but there can be no peace in the Middle East without Syria." (U.S. Dept of Army, 1988, pp. 227)

Consequently, it seemed only natural for the United States to take the Gulf War victory and use it as a propeller to bring Arabs and Israelis to the peace table. It was an opportunity for the United States to further some of its interests in the region. AMB Martin S. Indyk, U.S. Ambassador to Israel, suggested that peace with Syria would have an

effect on the containment of Iran and Iraq, and the fight against terrorism, which he expressed in the following views:

There would be no room for terrorists based in Lebanon because it would be inconsistent to Syria's commitment to peace with Israel to be harboring people (like that). It would take the winds out of the sails of Hizbulah and would thoroughly isolate Iran. (Makovsky, 1995, pp. 8)

Thus, peace between Syria and Israel would serve the United States interests with respect to containment of Iran-Iraq, Israeli security and control of international terrorism.

2. Israel

Israeli policy regarding peace settlements in the Middle East have been divided between the interests of the Likud and Labor parties. This division is especially present with respect to the issue of peace with Syria, which surrounds the Golan Heights. Following the Gulf War the Middle East Peace Conference of October 1991, in Madrid, served as a springboard for future peace talks between Israel and Syria. What was Israel's perspective on peace with Syria? Israel has three views concerning Golan:

- 1) those adopting an ambivalent position with respect to the extent of potential withdrawal from the area;
- 2) those stressing Israel's need to retain the Golan; and
- 3) those advocating an almost total Israeli withdrawal in return for full peace. (Muslih, 1994, pp. 254)

These varying views made identifying Israel's interests concerning peace with Syria a moving target.

In April 1992, these two states debated the meaning of the UN Security Council Resolution 242, and Israel continued to reject any exchange of occupied territory—such as the Golan Heights—in return for a peace settlement. In July 1992, the new Israeli coalition government was dominant with members of the Labor Party. This government did not show any interest in meeting Syria's minimum demand—compliance with the UN Security Council Resolution 242—but it did appear interested in some form of compromise. Israel's proclaimed unwillingness to relinquish land is a policy stance that has always accompanied Israel's peace negotiation agenda. In 1991, the Israeli government believed that withdrawal from the Sinai peninsula, in 1982, was sufficient land concession, and did not feel obligated to withdraw from the West Bank, the Gaza Strip or the Golan Heights. (Mattair, 1991, pp. 55) Yet, a phased out withdrawal was negotiated with the PLO with regards to the West Bank and the Gaza Strip.

If Israel was unwilling to make some type of "land for peace" agreement, what type of peace settlement with Syria was desired? Israel's Labor Party Doves argued that Syria would not enter into a peace agreement without getting the Golan Heights. Supporters of this camp further argue that security

is not only territory, but rather real peace, strict demilitarization, and security guarantees. (Muslih, 1994, pp. 256) In the opposite camp sit members of Likud and Labor hardliners. They argue that no territorial compromise should be contemplated because Syria does not seem ready for peace, and cannot be trusted to honor peace. (Muslih, 1994, pp. 255) Both of these opposing Israeli views argue in favor of security for the state of Israel. The members of Labor that support a middle of the road policy, such as that introduced by former Prime Minister Yitzhak Rabin, and in principle carried on by Shimon Peres, argue in favor of some land concessions. This middle of the road policy pulls together the extreme views expressed by the Labor Doves members and, the Likud members and Labor hardliners.

In principle Israel's willingness to negotiate peace with Syria would surround four interests:

- 1) Syria must spell out the nature of the peace it will be willing to make with Israel before Israel defines the extent of the withdrawal it would be willing to make from the Golan;
- 2) an extensive security regime predicated upon mutuality and reciprocity must be established;
- 3) Syria must engage more in public diplomacy designed to impress and convince Arabs and Israelis alike that it wants peace with Israel; and

4) such peace must entail full-fledged diplomatic, cultural, and economic relations and must not be encumbered by linkages to Palestine, Lebanon, and other Arab-Israeli problems. (Muslih, 1994, pp. 254)

These interests and the positions of the varying members of Israel's government all proclaim that security of Israel is the goal and objective of peace with Syria.

3. Syria

Syria has historically been viewed as Israel's Arab neighbor who was adamantly opposed to peace negotiations, but Syria's position on peace has often been misunderstood. President Hafez Assad has supported various American, Western European, United Nations and Arab proposals for a comprehensive peace settlement, because he realized that Israel was too powerful to be defeated in a war, and thus the only realistic chance of regaining the Golan Heights was through an international conference. (Khouri, 1986, pp. 54) Thus, Syria is not opposed to peace, but vehemently opposed to any peace that puts the Arab world—especially Syria—in a unfair position of negotiation. In regard to peace with Israel, Syria exclaims to be acting for the good of Arab national interests. For this reason, Syria is opposed to Arab states concluding separate peace agreements with Israel because, in Syria's opinion, this undermines Arab ambitions to reclaim territories, and settle the Palestinian question.

The most important interest that Syria has in settling peace with Israel is the full and unconditional compliance with UN Security Council Resolution 242, with specific interest in the withdrawal of Israeli armed forces from territories occupied in 1967. Syria's recovery of the Golan Heights has become a symbol of Syrian sovereignty and territorial integrity. (Ben-Meir, 1994, pp. 74) Syria believes that normal and peaceful relations are obtainable through a Israeli commitment to full withdrawal from the Golan Heights and southern Lebanon, the granting of full control of the West Bank and the Gaza Strip to Palestinians, and a satisfactory solution for East Jerusalem.

President Assad has pronounced that Syria is seriously interested in achieving peace without the use of force. Furthermore, Syria's foreign minister has talked opening concerning "full peace for full withdrawal," vice Syria's longstanding position of a condition of non-belligerency in the aftermath of a peace settlement. (Seelye, 1993, pp. 107)

C. FOREIGN AID

Evidence dictates that foreign aid has played a role in bringing about compromises between Israel and its Arab neighbors, that probably would not have otherwise been reached. Would this be the case of Syrian-Israeli peace? Israel has expressed that the Golan plateau is of such

strategic value that it can not be entirely returned to Syria. (Muslih, 1994, pp. 254) However, Syria has adamantly expressed that land was required for peace. This was apparently recognized by the Israeli government, because in 1994 Israel considered a plan, regarding peace with Syria, that did propose land concessions. This plan would be phased over an eight year period, in which Syria would initially be granted control over the four Druze settlements in the Golan Heights. The final phase would be a full-scale withdrawal.

Although the Israeli public expressed discontent, and Syrian officials remained skeptical toward withdrawal from the Golan Heights—Israel and Syria concluded a "framework understanding on security arrangements," in May 1995. Israel proposed a four-year timetable for the withdrawal of its armed forces from the Golan Heights, while Syria insisted on 18 months. Both these actors have strong opinions concerning fulfilling their unique goals and objectives in any peace settlement. What role would foreign aid from the United States play in getting these states to conclude a peace treaty?

In previous chapters the role of foreign aid only covered periods "before" and "after" peace agreements/treaties. In this chapter foreign aid's role in Syrian-Israel peace relations will deal with a "before" period, and the "after"

period will incorporate projections. The "before" period will be defined as between 1948 and 1974. The "after/projected" period will be defined as between 1975 and 1995. These periods were chosen to examine the significant change in aid following some form of peace agreement, such as the May 1974 Disengagement agreement, and the 1991 Middle East Peace Conference. The foreign aid amounts discussed in the sections to follow, will be discussed in reference to data found in Table 3.

1. Before

Before 1974 Syria received economic assistance from the United States between 1952 and 1972, for the most part this assistance was under \$500,000. There were a few exceptions during the aforementioned years where assistance levels were above \$1 million—between 1960 and 1962, when assistance to Syria reached a high of \$37 million. During the 1960's the United States provided economic assistance mostly to the PL-480 food program to generate goodwill, with the hope that political concessions would result from U.S. food assistance. Furthermore, economic aid to Syria was high during those years because of President John F. Kennedy's view on foreign aid. Although Kennedy has often been criticized for not being a President that viewed the Middle East as a high United States foreign policy issue, he was very serious about reform,

especially in the Middle East. Thus, Kennedy's outlook on foreign aid was as follows:

The fundamental task of our foreign aid program in the 1960's is not negatively to fight communism: its fundamental task is to help make a historical demonstration that in the twentieth century, as in the nineteenth—in the southern half of the globe as in the north—economic growth and political democracy can develop hand in hand. (Lenczowski, 1990, pp. 73)

The only time Syria received military aid in the "before" period was between 1964 and 1967. The mid to late 1960's was a period of time in which the Syrian government was undergoing frequent changes of government, resulting from the contest for power between centrist and leftist wings of the Baath Party.

2. After/Projected

The first indication of an increase in aid following some form of peace agreement, was when Syria received high levels of economic aid from the United States between 1975 and 1979. A year after the 1974 Disengagement Agreement Syria reached its highest level of economic aid from the United States, just above \$100 million. This aid was subsequently cut off in 1982 when Syria became heavily involved in Lebanon. Also throughout the 1980's Syria was increasingly identified to be connected with international terrorism. Following the 1991 Middle East Peace Conference, Syria and Israel had engaged in 11 sessions of bilateral negotiations by October

1993. Subsequently, in 1993, Syria again received economic aid from the United States-\$1.2 million.

The concessions that are up for negotiation between Syria and Israel are quite significant. These two states have indicated that foreign aid would need to be forthcoming to bring about peace. The Israeli government has projected that it will need an additional \$12 billion in aid to come down from the Golan Heights, and to make peace with Syria. (Bird, 1996, pp. 15) This \$12 billion would be for the following: \$7 billion to support the equipment for military provision of the agreement, \$3 billion for unspecified water projects, and \$2 billion for relocating the 13,000 Israelis living on the plateau. Syrian President Assad has also apparently hinted at his financial requirement for making peace. In the event the foreign aid desires of the Israeli and Syrian government are truly pursued, the United States must determine if this cost for peace is warranted to further its national interest in the region.

Table 3. U.S. Foreign Aid to Syria and Israel

| YEARS | SYRIA-ECO | SYRIA-MIL | ISRAEL-ECO | ISRAEL-MIL |
|-------|-----------|-----------|------------|------------|
| 1948 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1949 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1950 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1951 | 0.0 | 0.0 | 0.1 | 0.0 |
| 1952 | 0.4 | 0.0 | 86.4 | 0.0 |
| 1953 | 0.0 | 0.0 | 73.6 | 0.0 |
| 1954 | 0.3 | 0.0 | 74.7 | 0.0 |
| 1955 | 0.0 | 0.0 | 52.7 | 0.0 |
| 1956 | 0.1 | 0.0 | 50.8 | 0.0 |
| 1957 | 0.2 | 0.0 | 40.9 | 0.0 |
| 1958 | 0.2 | 0.0 | 61.2 | 0.0 |
| 1959 | 1.2 | 0.0 | 49.9 | 0.4 |
| 1960 | 11.9 | 0.0 | 55.2 | 0.5 |
| 1961 | 30.9 | 0.0 | 48.1 | * |
| 1962 | 37.6 | 0.0 | 70.7 | 13.2 |
| 1963 | 0.4 | 0.0 | 63.4 | 13.3 |
| 1964 | 1.9 | * | 37.0 | 0.0 |
| 1965 | 1.0 | * | 48.8 | 12.9 |
| 1966 | 0.4 | * | 36.8 | 90.0 |
| 1967 | 2.6 | * | 6.1 | 7.0 |
| 1968 | 0.1 | 0.0 | 51.8 | 25.0 |
| 1969 | 0.3 | 0.0 | 36.7 | 85.0 |
| 1970 | 0.1 | 0.0 | 41.1 | 30.0 |
| 1971 | 0.2 | 0.0 | 55.8 | 545.0 |
| 1972 | 0.3 | 0.0 | 104.2 | 300.0 |
| 1973 | 0.2 | 0.0 | 109.8 | 307.5 |
| 1974 | 0.0 | 0.0 | 51.5 | 2482.7 |
| 1975 | 104.6 | 0.0 | 353.1 | 300.0 |
| 1976 | 34.9 | 0.0 | 714.4 | 1500.0 |
| 1977 | 99.7 | 0.0 | 742.0 | 1000.0 |
| 1978 | 105.4 | 0.0 | 791.8 | 1000.0 |
| 1979 | 110.8 | 0.0 | 790.1 | 4000.0 |
| 1980 | 1.1 | 0.0 | 786.0 | 1000.0 |
| 1981 | 1.9 | 0.0 | 764.0 | 1400.0 |
| 1982 | 0.0 | 0.0 | 806.0 | 1400.0 |
| 1983 | 0.0 | 0.0 | 785.0 | 1700.0 |
| 1984 | 0.0 | 0.0 | 910.0 | 1700.0 |
| 1985 | 0.0 | 0.0 | 1950.1 | 1400.0 |
| 1986 | 0.0 | 0.0 | 1898.4 | 1722.6 |
| 1987 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1988 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1989 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1990 | 0.0 | 0.0 | 1194.8 | 1792.3 |
| 1991 | 0.0 | 0.0 | 1850.0 | 1800.0 |
| 1992 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1993 | 1.2 | 0.0 | 1200.0 | 1800.0 |
| 1994 | 0.0 | 0.0 | 1200.0 | 1800.0 |
| 1995 | 0.0 | 0.0 | 1200.0 | 1800.0 |

Note: Numbers reflect millions of U.S. dollars. * Less than \$50,000.

ECO = Economic and MIL = Military

Source of 1948-1994 data: U.S. Agency for International Development (USAID). U.S. Overseas Loans and Grants. Series of Yearly Data, Volume I, Near East, Obligations and Loan Authorizations FY 1946-1994.

Source of 1995 data: U.S. Department of State. Congressional Presentation for Foreign Operations. Fiscal Year 1997.

V. IS FOREIGN AID A BAND-AID FOR MIDDLE EAST PEACE?

Aid in conjunction with peace agreements and treaties in the Middle East have traditionally followed along the lines of being necessary for promoting comprehensive peace in the region, as well as strengthening trade and other relations. The ultimate goal is that the United States protects its interests in the region. Real lasting and durable peace has to address the following issues: water, sovereignty, and security. This chapter will discuss how this method of "pocket diplomacy" has shown little effectiveness in promoting durable peace. A peace that is attainable by addressing the aforementioned key issues that could lead to a lasting peace between Israel and Egypt, the Palestinians and Syria.

A. WATER

The most significant economic issue among these states is water. Since Israel was founded in 1948, conflicts over water have been one of the main sources of conflict between the Israelis and Arabs, because water is directly tied to

territory. Israel essentially took control of two vital water resources with their victory in the 1967 border war:

- 1) the Mountain Aquifer under the West Bank; and
- 2) the Golan Heights, which forms the watershed of the River Jordan.

The West Bank, to a certain extent, appears to be vital to Israel's water budget. Before 1967 Israel was exploiting two of the three major aquifers in this area, from within its own borders. After 1967, Israeli control of the West Bank has been controversial because it has resulted in the limitation of Arab development. Thus, Palestinians argue that their economic well-being is hindered.

Historically, the Palestinians and Israelis have been entangled in longstanding disputes with each other, that have impeded cooperative development and management of shared water resources. The fundamental problem is the question of where the coastal and mountains aquifers lie. One belief is that the coastal aquifer lies entirely with Israel, and the mountain aquifer extends eastward beyond the country's pre-1967 boundary. (Hillel, 1994, pp. 204) See Appendix F. Another belief is that the southern tip of the coastal aquifer extends into the Gaza Strip, and the mountain aquifer lies in the Western highland of the West Bank. (Beschorner, 1992, pp. 10) See Appendix G. It is these types of differences of

opinion that give insight as to why the Israelis and Palestinians can't seem to come to an agreement on basic water rights.

In the past, to protect its water supplies, Israel has restricted the Palestinian residents on the West Bank, the right to drill into the aquifer that is lying under their district. (Hillel, 1994, pp. 207) Some Israeli officials have expressed that despite any autonomy or sovereignty granted to the Palestinians, Israel should retain her control of the water resources. This very point was expressed by the Israeli Agriculture Minister who stated:

The basis for negotiation should not be to reshare the water, but to establish a way of running the water issue together, on the existing conditions of the division of water.¹³

Israel's position is that they don't owe the Palestinian's any control of water, and that they are only obligated to provide drinking water, which they are doing.

The Golan Heights is also a particularly important region for water resources. Israel has referred to water in this area as being vital to her national interest, because being able to control the water has strategic significance. Syria views repossession of the Golan Heights as a means of better

¹³ From a telephone interview, of 10 July 1995, with Agriculture Minister Ya'akov Tzur by Jack Katzenell. "Voice of Israel, Jerusalem." LEXIS/NEXIS: BBC Summary of World Broadcast, 12 July 1995.

defending its interests in matters involving the riparians in the Jordan-Yarmouk basin. (Muslih, 1994, pp. 261)

Although concessions have been made over territory, actual control of vital resources-such as water-will be slow coming or possibly even non-existent. Water is a vital and complicated issue, and it has to do with politics. The Arabs and Israelis agree on the need for water cooperation, but there appears to be differing opinions as to the content of this cooperation (i.e., sharing vs. rights). Israel does not seem to be interested in giving the Palestinian Authority in the West Bank any powers which pose a risk to the security of Israel. Due to the fact that water is so vital to Israel's national interest, relinquishing any control of water rights could be viewed as a risk to Israel's security.

Hillel points out in his book, the simplistic formula of "land for peace" tends to ignore the fact that it is more than mere territory - it implies control over water. (Hillel, 1994, pp. 208)

B. SECURITY

The debate over secure borders has rested at the heart of the controversy over Israel's national security, and follows two schools of thought. One is those who support "land for peace," and suggest that any border is militarily defensible in the age of modern warfare. In their opinion, the occupied

territories were a liability in that they gave Israel a false sense of security, and gave the Arabs reason to go to war.

The other school of thought follows along the line that Israel's conflict with the Arab world was fundamentally irreconcilable, and the territorial imperatives of Israelis and Arabs were mutually exclusive. Those who support this view argue that relinquishing control of the occupied territories would bring at best a temporary peace, and feared that the Arabs would use the territories as a springboard to attack the state of Israel. The military positions of Israel along the Golan Heights have been considered to be ideal geographically defensible borders.

The Golan Heights is also important to Syria for security reasons. Syrian planners believe that if the Golan plateau were in the hands of Syrians it would provide a defensive depth that is indispensable for the security of Syria, but in the hands of Israel it poses a lethal threat to the state of Syria. (Muslih, 1994, pp. 259)

In spite of the peace treaty between Israel and Egypt signed in 1979, Egyptian military officials, almost ten years later, still considered Israel to be the most serious military threat to their country. (Green, 1986, pp. 75) As a result, Egypt has sought deterrent weapons, such as short-range ballistic missiles, vis-a-vis Israel. Furthermore, the

Egyptian-Israeli peace treaty has not prevented Egypt from taking action in support of the Arab cause, such as the withdrawal of Egyptian diplomatic officials from Israel in protest. However, a more critical Arab issue could arise that would provoke Egypt to carry out more significant action, such as engaging in military operations that threaten the state of Israel.

Another issue surrounding security, is concerns that foreign aid funds allocated to the Palestinians for economic development, could possibly be used to support rejectionist groups or activities. In April 1995, questions were raised by policymakers concerning assistance monitoring, at a hearing on "Middle East Overview and U.S. Assistance to the Palestinians," before the Committee on International Relations, House of Representatives. Some of the questions raised were:

Does the United States have AID officials monitoring, Palestinian Authority spending of U.S. foreign assistance? What monitoring mechanism does the United States have in place to ensure that no U.S. funds go to individuals who support rejectionist groups like Hamas? Has there been any evidence that private voluntary organizations receiving U.S. funds have diverted any of their funding to any individuals or organizations involved in rejectionist acts or terrorism? (U.S. Govt Printing Office, 1995, pp. 51)

USAID ensured the Committee that there was no evidence that any recipient of U.S. funds in the West Bank and the Gaza

Strip program had diverted any funding to individuals or organizations involved in rejectionist acts or terrorism. However, the fact that the questions were raised could suggest that the Palestinians move toward peace has not reduced the security concerns in the West Bank and the Gaza Strip. If foreign aid was diverted to support acts of terrorism, the threat to stability and durable peace would be that much greater.

In the area of security, the continuing loss of Israeli lives to Hamas suicide bombings and other terrorist attacks, serves as an indication that insecurity and mistrust is still an issue that is alive and well among Israel and her neighbors. The United States has earmarked, in its FY 1996 Foreign Operations budget, \$1.8 billion in Foreign Military Funds to Israel—a figure that has not decreased with the increasing number of peace agreements. The fact that aid is being provided for the very purpose of maintaining Israel's qualitative edge against any likely aggressor, indicates that the issue of security has not been dealt with significantly.

C. **SUMMARY—U.N. RESOLUTION 242**

Aid to support the Middle East Peace Process has given the people in the region a vital stake in maintaining the peace, but core issues surrounding Arab-Israeli conflict remain ever present. The issues of water and security are

embodied in the principles of U.N. Resolution 242, which the Arab states have based their standards for peace. The *Oxford Companion to Politics of the World* defined the Resolution in the following manner:

The resolution was an attempt to bring Israeli demands for a final, formal peace agreement together with those of Egypt, Syria, and Jordan for Israel's withdrawal from the territories—the Sinai Peninsula, Gaza Strip, Golan Heights, West Bank, and East Jerusalem—which it had occupied during the June war.

The resolution did this by a balanced emphasis on 'the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace.' It therefore called for 'withdrawal of Israel from territories occupied in the recent conflict,' as well as for 'termination of all claims or states of belligerency and respect for and acknowledgment of the sovereignty, territorial integrity and political independence of every state in the area and their right to live in peace.' The resolution also called for 'a just settlement of the refugee problem.' (Kreiger, 1993, pp. 785)

Territorial claims help to define sovereignty, which generally includes control over vital resource, such as water. Control of water can be a threat to the economy (development rights) and security (access and entitlement), of the state not controlling it. Threats to a states economy and security are grounds for unrest, which can dismantle peace. For example, in the case of the Palestinians, Israel will retain control over all water resources and all roads leading to Israeli settlements. This calls into question "respect for and acknowledgment of the sovereignty," as well as, "territorial

integrity."

As recent as 15 December 1995, the United Nations General Assembly voted overwhelmingly in favor of self-determination for the Palestinian people, and for Israel to withdraw from all of the territories she has occupied since the end of the 1967 war.¹⁴ The General Assembly passed the resolution 143-3-3, with Israel, the United States and Micronesia voting against, and Russia, Costa Rica and the Marshall Islands abstaining. The General Assembly and United Nations Security Council have repeatedly called for the end of Israeli occupation in the Gaza Strip, the Sinai peninsula, the West Bank and the Golan Heights, but the United States has used its veto power more than 70 times to protect Israel from Security Council censure. If this Resolution is not addressed in a manner that is satisfactory to the Arabs, the peace the United States is investing in will be just that, a "band-Aid" approach to Middle East peace.

¹⁴ This was taken from an article titled, "U.N. Calls for Complete Israeli Withdrawal," in the ***Washington Report on Middle East Affairs***, February/March 1996, Volume XIV, Number 7, pp. 35.

VI. CONCLUSIONS

The Israeli's desire to secure aid from the United States, and her Arab neighbors desire to supplement their budgets, has definitely been met by negotiating peace. However, peace is supposed to result in less hostility and aggression, thus opening doors of opportunity for improved trade and international relations. Foreign aid may have provided a means, and an incentive to negotiate and conclude peace agreements and treaties, but the sustaining power of real, durable peace, and security for Israel, as well as its Arab neighbors is yet to be determined.

The easing of East-West hostilities has both facilitated and complicated the North-South aid process. Movements toward reduction in arms and military personnel have opened the door to increases in economic and humanitarian assistance. However, domestic issues have assumed rising prominence with donor nations, and new aid requests have dramatically increased with the global upsurge in democratic and economic reforms. As a result, difficult choices have emerged regarding who merits aid, and to what degree external need should supersede pressing internal concerns. The United States' has had to make such a choice, and will have to in the

future when deciding to continue providing foreign aid to the Middle East.

The economic recession of the United States caused foreign aid to be even more criticized by Americans. However, the use of foreign aid to secure peace in the Middle East is, presently, a good investment in U.S. interests in that region.

The following briefly outlines this relationship:

U.S. INTEREST

1) Preserve oil resources and strategic access to the Middle East.

2) Preserve independence and security of Israel.

3) Foster good relation with conservative Arab nations.

4) Preserve stability and peace in the Middle East.

FOREIGN AID INVESTMENT

U.S. presence, cooperation and support to oil producing states have in a sense created a necessity for them to maintain good diplomatic relations.

Quantity of military aid has definitely given Israel a significant military edge over any likely adversary. Financially supporting Israel's adversaries' peace initiatives, makes them less likely to pose a threat.

Providing economic and military aid to advance Arab economies and security.

Providing economic aid to support peace initiations and implementations. Providing military aid to states that promote the West's interest, enabling them to maintain an edge over those who threaten peace and U.S. interests.

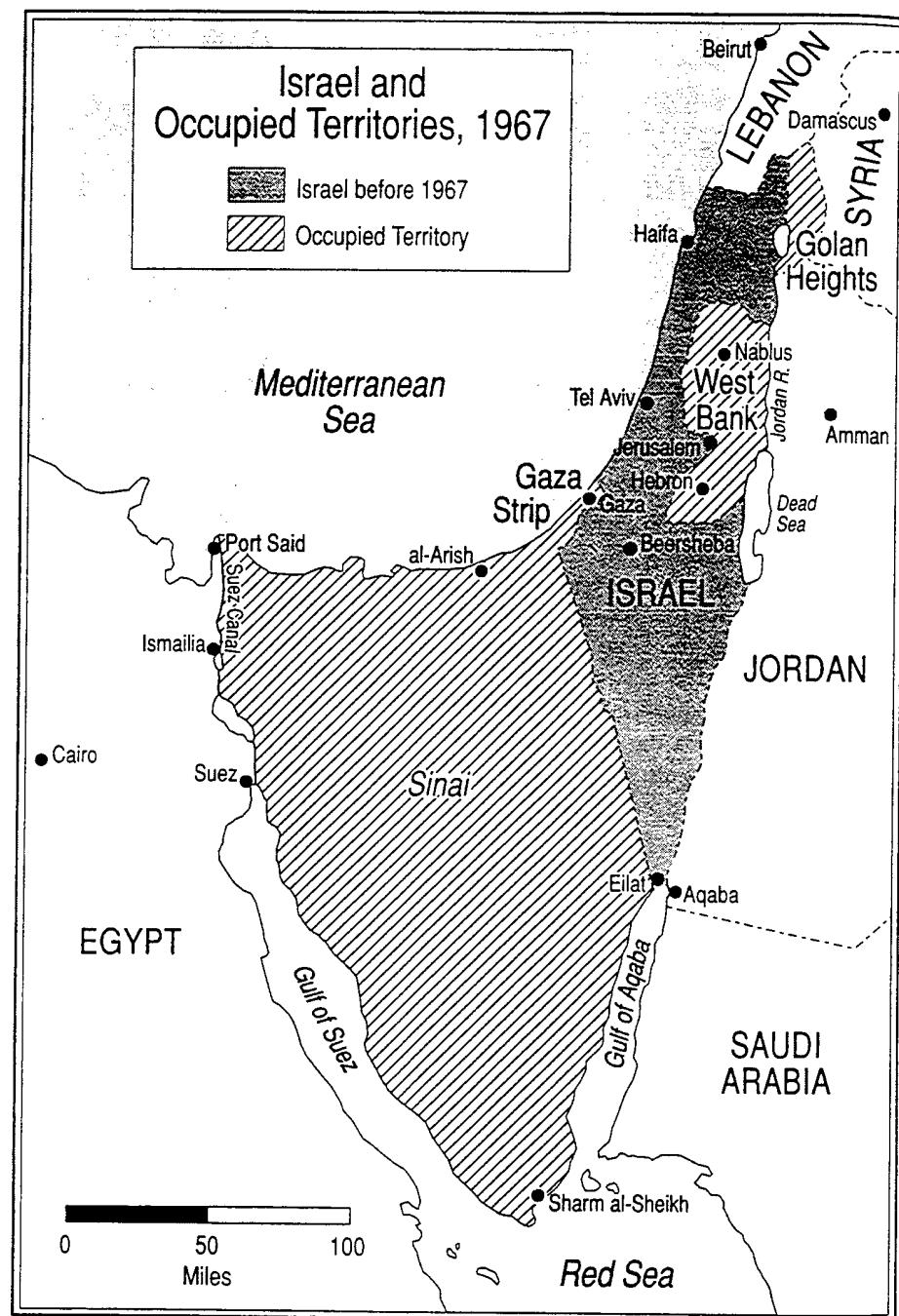
The United States' interests are being protected by supporting peace in the region, even if core issues are glossed over by peacemaking states in lieu of receiving financial assistance. The bottom line is that the price of peace and stability vis-a-vis economic and military assistance is much less costly, when compared to the price of having to respond to unrest and its aftermath, through costly military operations, peacekeeping efforts and emergency relief operations.

APPENDIX A. Map of Israel and Bordering Arab States



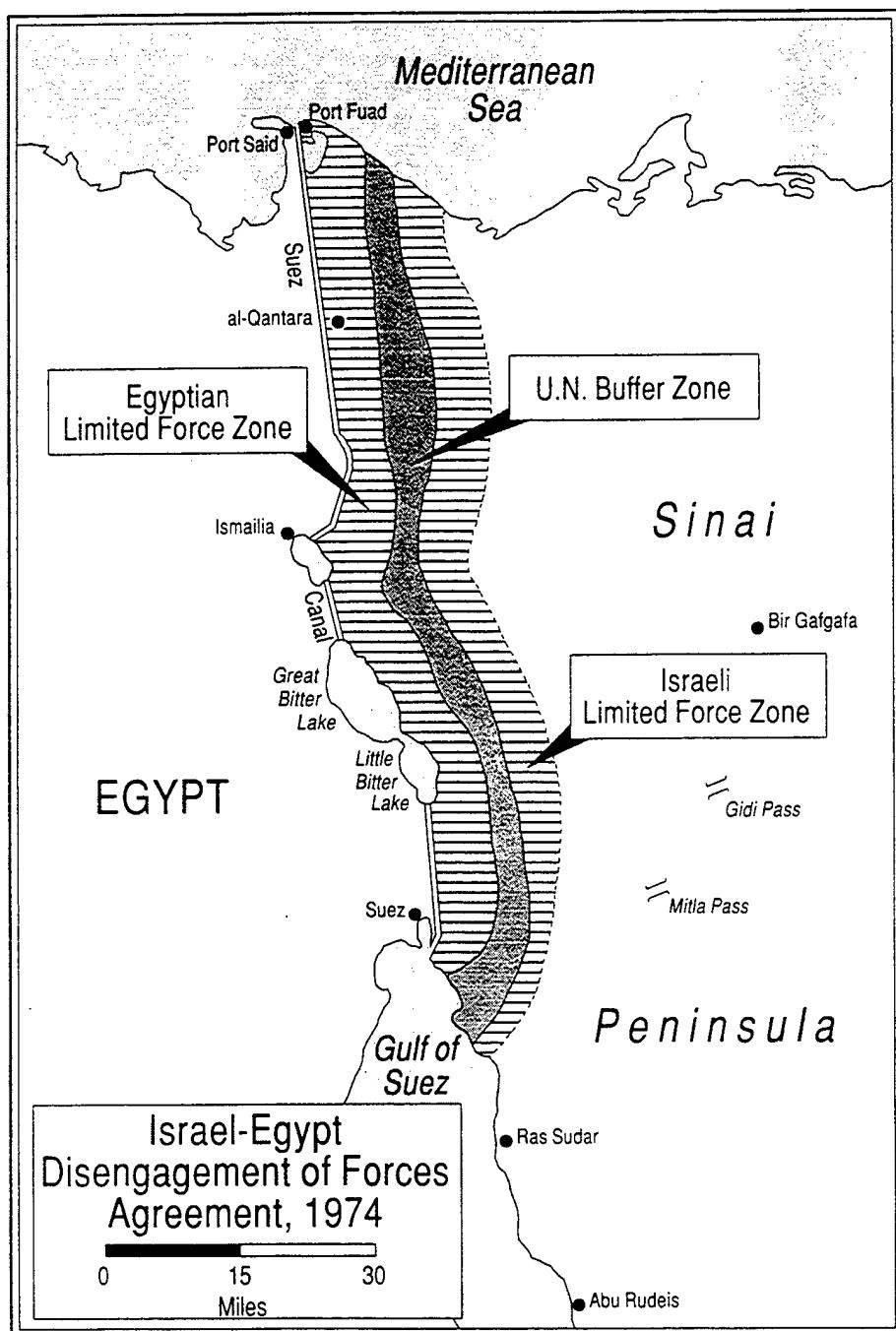
Source: The Middle East and North Africa 1995. London: Europa Publications Limited, 1994.

APPENDIX B. Map of 1967 Territories Occupied by Israel



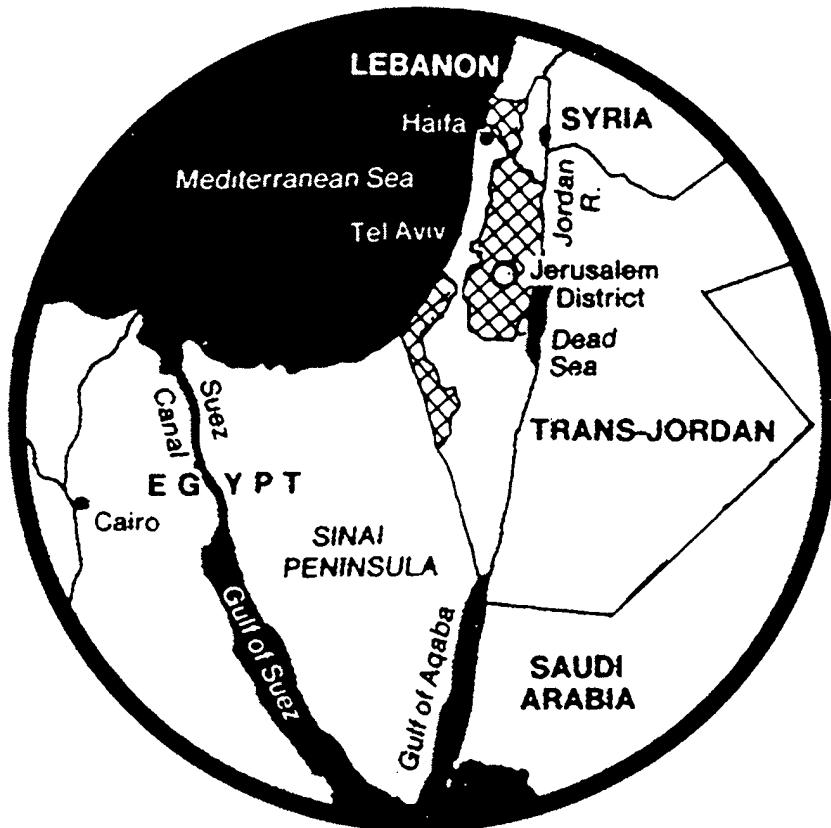
Source: Tessler, Mark (1994). *A History of the Israeli-Palestinian Conflict*. Bloomington and Indianapolis: Indiana University Press.

APPENDIX C. Map of 1974 Disengagement Agreement



Source: Tessler, Mark (1994). A History of the Israeli-Palestinian Conflict. Bloomington and Indianapolis: Indiana University Press.

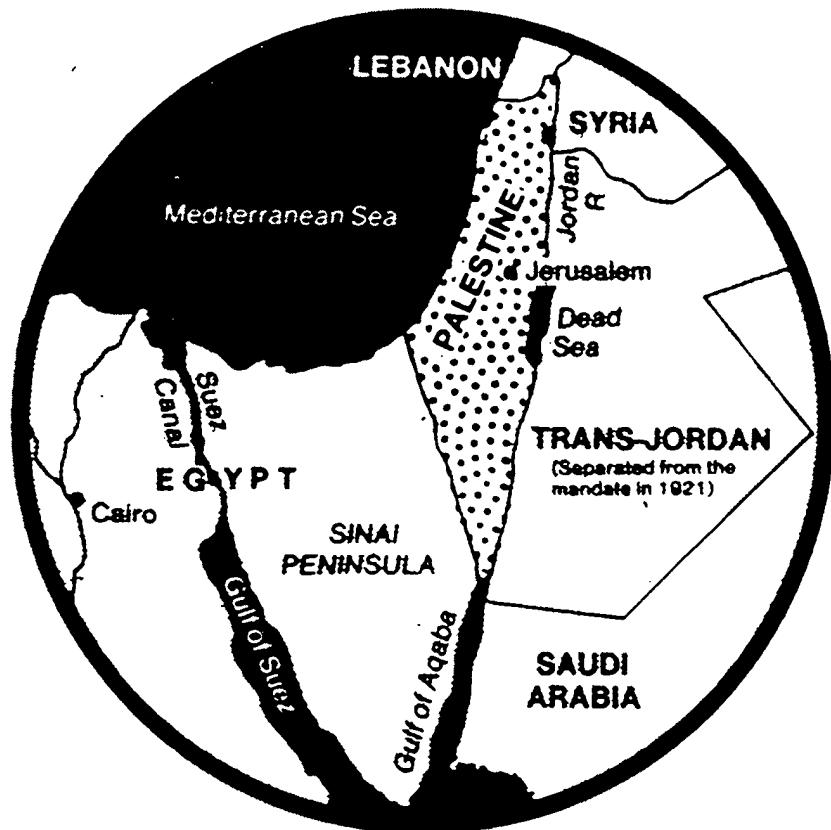
APPENDIX D. The U.N. 1947 Partition Plan



1947 | The United Nations Special Committee on Palestine recommended partition into two states: one Jewish [white on the map], one Arab [cross-hatched on the map]. Jerusalem was to be an internationally administered enclave in the Arab state.

Source: Groisser, Philip L. (1982). The United States and the Middle East. New York: State University of New York Press, Albany.

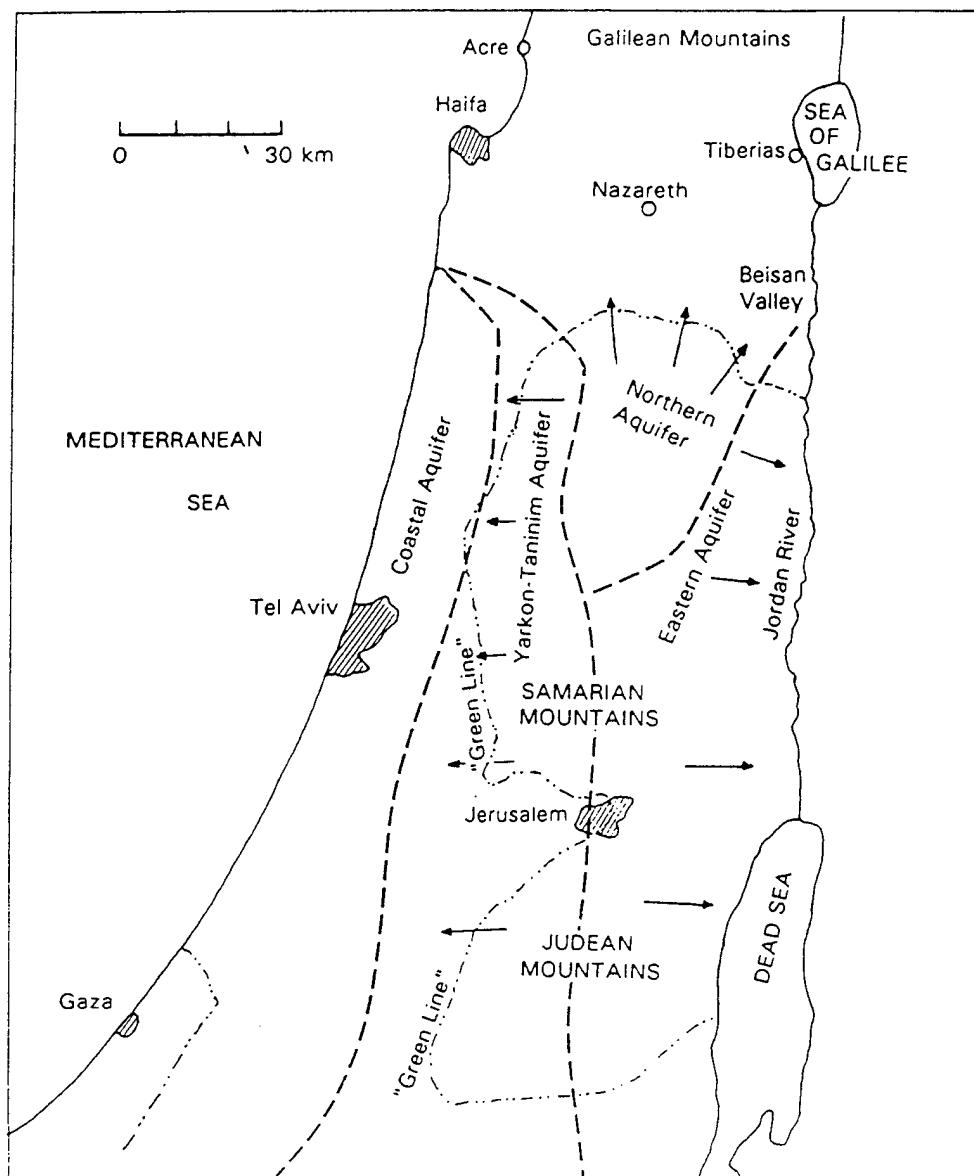
APPENDIX E. Map of Historical Palestine



1920–48 | The British administered Palestine under a mandate from the League of Nations. In the Balfour Declaration of 1917, they promised to use “their best endeavors to facilitate” the “establishment in Palestine of a national home for the Jewish people.”

Source: Groisser, Philip L. (1982). The United States and the Middle East. New York: State University of New York Press, Albany.

APPENDIX F. Hillel Map of Water Aquifers



Source: Hillel, Daniel (1994). River of Eden. New York: Oxford University Press.

APPENDIX G. Beschorner Map of Water Aquifers



Source: Beschorner, Natasha (1992). "Water and Instability in the Middle East." Adelphi Paper 273. London: The International Institute for Strategic Studies.

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